

Comprehensive Annual Financial Report Year Ended June 30, 2005

Michigan Deptartment of Treasury 496 (2-04)

Issued und	er P.A. 2 of 19	68, as	cedure:	s ixept	1			- 12	
Local Gov	emment Type	nship	∐Village	Other	City of Gr	ent Name and Haven, Michigan		County Ottawa	
Audit Date 6/30/05			Opinion I 10/5/0			Date Accountant Report Subm 11/14/05	itted to State:		
accordar	nce with th	ne St	atements of	the Govern	mental Accor	government and rendered unting Standards Board ent in Michigan by the Mic	(GASB) and th	ie <i>Uniform Rep</i> o	
We affire	m that:								
1. We l	have comp	lied v	with the <i>Bulleti</i>	n for the Au	dits of Local t	Units of Government in M	chigan as revise	ed.	
2. We	are certifie	d pub	lic accountant	s registered	to practice in	n Michigan.			
	er affirm th ts and reco		-	esponses h	ave been disc	closed in the financial stat	ements, includir	ng the notes, or it	n the report of
You must	t check the	appl	icable box for	each item b	elow.				
Yes	√ No	1.	Certain comp	onent units/	funds/agencie	es of the local unit are exc	luded from the	financial stateme	ents.
√ Yes	☐ No	2.	There are acc 275 of 1980).	cumulated o	deficits in one	e or more of this unit's un	nreserved fund	balances/retaine	d earnings (P.A
√ Yes	No	3.	There are insamended).	stances of i	non-complian	ce with the Uniform Acc	ounting and Bu	dgeting Act (P.A	A. 2 of 1968, a
Yes	✓ No	4.				itions of either an order r the Emergency Municipa		the Municipal Fi	nance Act or it
Yes	√ No					ents which do not compl of 1982, as amended [M0		requirements. (I	P.A. 20 of 1940
Yes	√ No	6.	The local unit	has been d	elinquent in d	listributing tax revenues th	at were collecte	ed for another ta	xing unit.
Yes	√ No	7.	pension bene	fits (normal	costs) in the	titutional requirement (Art c current year. If the plan requirement, no contributi	is more than 1	00% funded and	the overfunding
Yes	✓ No		The local uni (MCL 129.241		lit cards and	has not adopted an app	olicable policy a	s required by P	.A. 266 of 199
Yes	√ No	9.	The local unit	has not add	opted an inve	stment policy as required	by P.A. 196 of 1	997 (MCL 129.9	5).
We have	e enclosed	l the	following:				Enclosed	To Be Forwarded	Not Required
The lette	er of comm	ents	and recomme	ndations.			1		
Reports	on individu	al fe	deral financial	assistance	programs (pr	ogram audits).			✓
Single A	udit Repor	ts (AS	SLGU).					✓	
1	ublic Account								
Street Add						City Muskegon		State ZIP 494	141
Accountan	Signature		1	PLL	C	Iwuskeyon		Date 11 - 8 - 0	

Comprehensive Annual Financial Report City of Grand Haven

June 30, 2005

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CITY OF GRAND HAVEN, MICHIGAN

June 30, 2005

Elected Officials

Mayor Roger A. Bergman

Council Members Michael Fritz
Geri McCaleb

Edward Nieuwenhuis

Daryl Tammen

Appointed Officials

City Manager Patrick McGinnis

City Clerk/Treasurer Leah Spinner

Finance Director James Bonamy



November 1, 2005

Mayor Bergman and City Council:

It is with pleasure that we present the Comprehensive Annual Financial Report (CAFR) for the fiscal year ended June 30, 2005. This is the third report using the new reporting model as prescribed by the Governmental Accounting Standards Board (GASB) in their Statement 34.

This report has been prepared by the financial services staff of the City of Grand Haven. City Administration holds full responsibility for the completeness and accuracy of all statements, schedules, notes and analysis. To provide a reasonable basis for making these representations, City Administration maintains a system of internal controls to protect City assets from theft, loss, or misuse and to compile reliable information for the presentation of our financial statement in conformity with generally accepted accounting principles. The costs of internal controls should not outweigh the benefit received; therefore the internal controls have been designed to provide reasonable assurance rather than absolute assurance that the financial statements will be free from material misstatement. As City Administration, we assert, to the best of our knowledge and belief, that this financial report is complete and reliable in all material respects.

The Reporting Entity

Grand Haven was established in1834 by Rix Robinson, a trader, who chose this location because of its natural harbor and the opportunity to do business throughout the Grand River valley. In 1838, Grand Haven was named the County Seat of the County of Ottawa. In 1867, Grand Haven was incorporated as a City. With a population of 11,168 counted in the 2000 census, the City of Grand Haven is the primary government for accounting purposes. In addition to the primary government, this financial report also includes four component units:

City of Grand Haven Brownfield Redevelopment Authority,

City of Grand Haven Brownfield TIF (Boat Storage Project) (new in FY 05),

City of Grand Haven Economic Development Authority, and

City of Grand Haven Central Business District Development Authority.

The financial reports of these four entities, while separate and distinct from the City of Grand Haven as component units, are included herein.

Note that the Central Business District Development Authority changed its name to the Main Street Downtown Development Authority in the summer of 2005, after the fiscal year reviewed in this document.

The City of Grand Haven also provides administrative and financial management under contractual agreements with the following organizations:

Grand Haven/Spring Lake Sewer Authority, a separate governmental unit,
Northwest Ottawa Water Treatment Plant, a joint venture of North Ottawa local units
of government, and
Ottawa County Central Dispatch Authority, a component unit of Ottawa County.

The financial reports of these three entities, being separate and distinct from the City of Grand Haven, are reported elsewhere and are not included here.

The City of Grand Haven Board of Light and Power, a department of the City by its Charter and an enterprise fund, continues its tradition of presenting its annual financial report under separate cover. This is appropriate due to both the size and complexity of the Board's operations and generally accepted accounting principles. However, due to the nature of the new reporting model as discussed below, significant information is also provided herein. For further detail, we recommend viewing the Board's annual report, which is on file at both City Hall and at the Board's offices on Eaton Street in Grand Haven.

Budgeting and Financial Planning

As part of the City's financial planning process, City Council adopts an annual budget including a five year Capital Improvement Plan. These documents address the City Council's strategy to improve and to maintain the health and quality of life of the City. The budget document provides the financial framework for planning and control as well as defines the City Council's vision for the future. The Capital Improvement Plan provides the Council and staff with a strategy for future major capital items and related financial resources that will be required over the next five years to implement Council's vision.

The budget process begins in late fall with a City Council goal setting session with the City Manager. Working as a Budget Committee, City Department Heads and the City Manager draft the budget on a line item basis, considering capital and operational priorities separately and combining all into a preliminary budget document. The City Manager is required by City Charter to present a proposed budget to City Council by April 1. After a work session and a separate public hearing, City Council adopts the City's budget by May 15 and sets the tax millage for the new fiscal year at the same time. Interested citizens are invited to participate in the budget planning process at a goal-setting session and at the various work sessions and public hearings.

After the close of the fiscal year, the CAFR is prepared to report on the financial condition of the City and the results of operations. Included in the report are budget-to-actual comparisons of revenues and expenditures. New to the CAFR two years ago was disclosure of both the original budget and the final amended budget. This disclosure continues in the current document.

Economic Condition and Outlook

Current national economic conditions, while more positive than in the last four years, continue to present employment challenges for displaced employees in Michigan and the local economy. After the audit report date, Delphi indicated publicly that they will enter bankruptcy proceedings, affecting some 14,000 jobs statewide. While not a local business in Grand Haven, their economic condition denotes the continuing unsettled nature of the state's economy.

While Grand Haven saw the closing of a number of industries and some employment reductions in recent years, significant new industrial investment during the fiscal year occurred at Netshape, Grand Haven Plastics, Magna Donnelly, Commercial Properties, and R. A. Miller. The City continues to monitor industrial sector employment closely as City Council reviews new Industrial Facilities Tax Exemption Certificates.

The State of Michigan continues to face budget difficulties and is considering revising the community funding structure and other payments to local governments to partly resolve their budgetary concerns. City Administration conservatively forecasted this revenue source for Fiscal Year 2005-06, and, to date, projections appear to match expectations. Further cuts in State funding are possible for FY 2006-07.

Utilizing tools available from various Brownfield laws, the City issued \$710,000 in Brownfield Tax Increment Financing Bonds for City infrastructure at the Boat Storage Project, replacing the underutilized Grand Haven Brass Foundry property. Future taxes on the property will pay debt service costs.

In Fiscal Year 04-05, significant administrative work occurred with negotiations on Grand Landing, LLC for the sale of Brownfield properties previously owned by Ottawa County Road Commission, ASP & Mfg. Co., Weavers' Iron and Metal and the City. Negotiations were not completed during the fiscal year; however, in September 2005, City Council gave its approval of a purchase agreement. Due diligence issues are continuing to be resolved.

Since 1997, City Council has directed that the costs of the redevelopment of the Grand Landing site would not be borne by City taxpayers. Of over \$6,000,000 spent for land acquisition and other predevelopment costs at the date of this writing, all of it is anticipated to be reimbursed as follows:

\$4,300,000 from the sale of the property to Grand Landing, LLC,
880,000 from reimbursement of a Waterfront Redevelopment Grant (see below),
800,000 from the sale of property adjacent to Beacon Boulevard (US 31) to the
Michigan Department of Transportation completed during the audited fiscal year,
100,000 from an Arts and Cultural Grant paid in 1999.

Additional costs prior to completion of the sale plus public environmental and infrastructure costs anticipated for the area are forecasted to be reimbursed by a Brownfield TIF bond supported by capture of City, County, Library, Museum and School taxes. Significant complex agreements and coordination with the State are required for this to occur.

In October 2005, the City received \$880,000 in State Grant funds from a 1998 Waterfront Redevelopment Grant. These funds partially reimburse property acquisition costs of the Grand Landing site. The funds have been placed in the Public Improvement Fund and reduce approximately half of the interfund loans due from the Brownfield Redevelopment Authority Fund. This will flow through the accounting system in Fiscal Year 05-06.

The City has successfully maintained greater than 11% of revenue as a reserve in the General Fund to address contingencies. Assuming continuing improvement in the general economic conditions, City Administration believes that the City will weather the current conditions adequately.

Fiscal Year 2004-05 Initiatives

Despite the challenges noted above, the City of Grand Haven had another successful year in providing quality services to our citizens. The foresight of the City Council in maintaining a healthy fund balance permits the City to continue to invest in the infrastructure and capital needs of the City. During the past fiscal year, the City was able to make significant improvements within the City including:

Public Works - Chuck Nowak, Director

Coordination with Fishbeck, Thompson, Carr and Huber, Engineers for the SWISS study Staff reorganization including blending of former Community Services staff under the Public Works Department

Beginning the Sheldon Street water, sewer and street reconstruction project Installing a new City-wide leaf pickup program, including purchase of a new street sweeper and leaf loader

Beginning Jackson St. sidewalk construction Replacement of a 6" water meter at Eagle Ottawa

Community Affairs - Sandra Katt, Manager Marina dock renovation project

Public Safety - Dennis S. Edwards, Director

Continued the DARE program with donations from the City, the United Way,
Grand Haven Area Public Schools and the Tri-Cities DARE Association
Provided a Fire Prevention Week open house

Implemented the Retired Seniors Volunteer Program (RSVP) with five volunteers Began a Reserve Officer program

City Clerk/Treasurer Office - Leah Spinner, City Clerk/Treasurer

Conducted Three Elections

Created a Document Retention Schedule

Coordinated Mayor's Exchange Events

Coordinated Boards and Commissions Appreciation Dinner

Coordinated Coast Guard Tri-Cities Dinner

Coordinated Community/Employee Appreciation Picnic

Created Contracts and Agreements Tracking System

Initiated Personal Property Tracking Program

Planning and Community Development - Erin Wade, AICP, Planning Director

Combined the Hyett Palma Blueprints Study, the Wade-Trim Transportation and Parking Study and the Johnson Hill Downtown Visioning Study into a Downtown TIF Plan

Developed a waterfront strategic plan which led to adoption of a new WF-2 Waterfront zoning district

Coordinated extraordinary plan reviews for Harbor View Inn, Zephyr, Grand Theater Condominiums, Grand Restaurant and Bil Mar

Coordinated a \$700,000 grant for downtown parking redevelopment and relocation of two historic structures

Coordinated Zoning ordinance text amendments on sidewalk cafe, buildable lots, schedule of regulations and considered a Civic Center District ordinance

Managed the process to provide Zoning Ordinance rewrite consultants

Provided support to the newly reinstituted Historic Conservation Commission

Increased efforts to enforce the Property Maintenance code of the City

Coordinated a series of summer activities and events planning meetings

Transportation Division - Julie Bildner, Director

Harbor Transit:

MDOT 2002-0040 Z13 - a \$20,000 grant to replace the Transit Telephone Communications System

MDOT 2002-0040 Z12 - a \$92,591 grant to pass through Specialized Service Funds to Pioneer Resources

MDOT 2002-0040 Z11 - a \$200,000 grant to pass through Project Zero Funds to Pioneer Resources

FY2003 & FY2004 - \$508,997 in Urban Operating Assistance from Federal Transit Administration (FTA)

FY2005 - \$266,696 in Urban Operating Assistance from FTA for three buses.

Filed \$242,946 in capital requests for FY 2005 through the FTA TEAM computer program

Airport:

MDOT 2005-0456 - a \$280,000 grant for Phase III of the Tree Project (to be completed in FY 2006)

MDOT 2004-0263 - a \$343,000 grant for taxiway rehabilitation and new Construction

Human Resources - April McGrath, Former HR Director/Assistant to the City Manager Moved health benefits third party administration from Priority Health to Blue Cross. Hired a college intern for the City Manager's office Negotiations on a three year POAM union contract began during FY 2004-05 and were completed by October 2005

Finance, Accounting and Assessing - James P. Bonamy, Finance Director
Continued successful presentations of City Budget and annual unqualified audit
Continued monthly financial reporting to City Council, Departments and various Boards
and Commissions

Continued detailed financial reporting in Brownfield and grants administration Assisted development of the \$710,000 Brownfield TIF Boat Storage Bond

Continued a fixed assets study in all governmental funds to prepare for GASB 34 implementation prior to June 30, 2006

Continued staff liaison support and structure to the Audit Review Committee, the Economic Development Corporation and the Brownfield Redevelopment Authority Coordinated S.W.I.S.S Bond Finance Committee meetings and organization Continued fiscal administration for the Ottawa County Central Dispatch Authority

Created eight new Funds to manage various aspects of City Council direction including:

Brownfield TIF Boat Storage:
Special Revenue Fund
Debt Service Fund
Capital Improvement Fund

Downtown TIF:
Special Revenue Fund
Debt Service Fund
Capital Improvement Fund

Land Acquisition Fund - a capital projects fund

Chinook Pier Rental Fund - an enterprise fund

Future Major Initiatives

A series of discussions on infrastructure to determine needed improvements then seeking financial alternatives on when and how to address these needs occurred during the fiscal year. The S.W.I.S.S. Project (Sewer, Water, Infrastructure, Streets and Sidewalks) was engineered by Fishbeck, Thompson, Carr and Huber and provided a comprehensive overview of infrastructure needs. Concurrent reviews by ad hoc S.W.I.S.S. Blue Ribbon Planning and Finance Committees continued the process. Water and sewer consumption rates were each raised by 25 cents per 1000 gallons by City Council action, effective in July 2005. City Council also scheduled a public vote on S.W.I.S.S. supporting millage for November 2005.

Completion of the Brownfield TIF (Boat Storage) infrastructure project and the Sheldon Street reconstruction project will occur before December 2005.

Continuing due diligence analysis and resolution for the Grand Landing property purchase will involve significant staff time in FY 2005-06.

The Budget Document for Fiscal Year 2005-06 notes significant anticipated capital and operational activities. Copies for public review are available at City Hall.

New Reporting Model Format

This is the third year of a new reporting format required by the Governmental Accounting Standards Board. It will be significantly easier for readers of this document to compare outcomes with last year's document. The format of the CAFR using GASB Statement 34 guidelines is significantly different from years before the fiscal year ended June 30, 2003. The objective of the new model is to increase accountability of the City by providing more useful information to a wider range of users. A few of the more significant changes include:

Certain financial information has been moved from the transmittal letter to the "Management Discussion and Analysis" (MD&A). This provides a more in-depth review and discussion of the City's financial position. GASB Statement 34 provides very specific guidance for topics that must be covered in the MD&A. Many of the key financial topics are covered by the MD&A, which can be found immediately after the auditor's opinion letter.

For the third time and continuing into the future, entity-wide statements are presented on a full accrual basis of accounting. An initiative during Fiscal Year 2002-03 to verify all City assets was instituted by the Finance Office with considerable assistance from all operating departments. While not required under the GASB 34 initiative, this updated list confirmed asset values for last year's and this CAFR and serves as the foundation for future reports. Streets, bridges, and sidewalks have been included in the Statement of Net Assets as capital assets which are depreciated. Long-term debt has been reported. The full accrual method addresses overall operating results and the financial position of the City as an economic entity, as is done in the private sector.

In the basic financial statements, individual fund activity is disclosed for major funds. Non-major funds are combined in one column. Reporting by major fund helps readers focus attention on "big picture" items. As in prior years, the individual statements for governmental type activities are reported on a modified accrual basis. This means that all non-entity-wide statements require reconciliation schedules to the entity wide statements.

Because of the differing basis of accounting (full accrual vs. modified accrual), numbers will not easily trace to the entity wide statements without the reconciliation. The modified accrual basis accounting is the traditional method used for governmental activities. The modified accrual method provides an easier framework for budgeting and controlling expenditures.

Once readers understand how the new model works, the new format is anticipated to be preferred because of the additional information available.

Independent Audit

State statutes and the City Charter require an annual financial audit by an independent certified public accounting firm. In May 2003, City Council selected the accounting firm of BDO Seidman, Certified Public Accountants, who provided auditing services for the first years of the engagement. In the summer of 2004, BDO Seidman sold its Muskegon office to former BDO partners. Pridnia LaPres, PLLC provides the same auditing staff originally provided by BDO Seidman and at the same cost.

The audit was designed to meet the requirements of the federal Single Audit Act of 1984, as amended and related OMB Circular A-133. The auditors report on the fair presentation of the financial statements, the internal controls, and compliance with legal requirements. The Federal Awards Report is issued separately.

Acknowledgments

The work of preparing the financial report has required the help and assistance of many people. The staff of the Finance Department and the Treasurer's Office in particular spent many hours working on this project. Susan LaPage, Accounting Supervisor, deserves special thanks for her efforts in organizing and directing the audit preparation work.

Additionally, the positive financial position the City of Grand Haven displayed in this CAFR could not have been achieved without the significant efforts of the City's Administrative Staff in their adherence to City Council defined policies and effective administrative procedures. Our appreciation and congratulations on a job well done are hereby offered to:

Julie Beaton, Facilities and Special Projects Manager
Julie Bildner, Director of Transportation
George Bosnjak, Interim Assistant to the City Manager
Dennis Edwards, Director of Public Safety
Sandra Katt, Community Affairs Manager
Erin Wade, Director of Planning and Community Development
Charles Nowak, Director of Public Works
Leah Spinner, City Clerk/Treasurer
John Stuparits, Wastewater Superintendent
Joseph VanderStel, Water Plant Manager

Additional appreciation is offered to Sec Garcia, Former Director of Community Services, and April McGrath, Former Director of Human Resources / Assistant to the City Manager for their insight and efforts during the fiscal year reported herein.

Sincerely,

Patrick McGinnis City Manager 616 847-4888 pmcginnis@grandhaven.org James P. Bonamy, CPFA Finance Director 616 935-3214 jbonamy@grandhaven.org



3145 HENRY STREET, STE. 200 MUSKEGON, MI 49441-4052 TEL: 231-739-9441 FAX: 231-733-0031

WWW.PRIDNIALAPRES.COM

Independent Auditors' Report

To the Honorable Mayor and City Council City of Grand Haven, Michigan

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Grand Haven, Michigan, as of and for the year ended June 30, 2005, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City of Our responsibility is to express opinions on these financial Grand Haven's management. statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall basic financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Grand Haven, Michigan, as of June 30, 2005, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with Government Auditing Standards, we have also issued our report dated October 5, 2005, on our consideration of the City of Grand Haven's internal control over financial reporting and on our tests of its compliance with certain laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing. and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Governmental Auditing Standards and should be considered in assessing the results of our audit.

The Management's Discussion and Analysis, budgetary comparison information and schedule of funding progress on pages 17 through 28 and pages 78 through 81 are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Grand Haven's basic financial statements. The combining funds statements and schedules are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining funds statements and schedules have been subjected to the auditing procedures applied by us in the audit of the basic financial statements and, in our opinion, based on our audit, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Pridura LaPres, PLLC

Muskegon, Michigan October 5, 2005

1) Financial Highlights

- a) In all material regards, the City of Grand Haven ended the fiscal year in overall better financial position than it started the year. All funds ended the year with positive fund balance with the exception of the Brownfield Redevelopment Authority Fund, a component unit. General Fund total expenditures finished under budget. Overall debt was lower.
- b) Governmental activity net assets totaled \$42,455,986.
- c) Business-type activities net assets totaled \$28,589,368.
- d) Total expenses for governmental activities totaled \$8,905,019.
- e) Total expenses for business-type activities totaled \$30,716,792.
- f) The General Fund is healthy. Fund balance increased by \$961,491. Year end fund balance for the General Fund totaled \$2,895,321, up from \$1,933,830 at June 30, 2004.
- g) The Brownfield Redevelopment Authority Fund deepened its fund deficit position of \$1,285,594 as of June 30, 2004 to \$1,522,230 as of June 30, 2005, as anticipated due to additional predevelopment costs during the fiscal year. Significant administrative efforts have resulted in a post-audit agreement to sell the Grand Landing site which may eliminate this deficit in FY 2006. The deficit may also continue until a Brownfield Tax Increment Financing Bond is approved and reimburses the costs (currently paid from funds borrowed on an interfund loan basis from the Public Improvement and Economic Development Corporation Funds. A bond proceeds reimbursement resolution related to these issues was adopted by City Council in March 2003.).
- h) The Health Benefits Fund net assets balance position of \$153,694 on June 30, 2004 was reduced to \$5,103 on June 30, 2005, due to increased expenditures compared to revenue. City Administration anticipated the increasing costs and, as of July 1, 2005, moved health care third party administration to Blue Cross anticipating deeper discounts.

2) Overview of Financial Statements

a) Overall financial picture.

The financial statements provide two views of the City's financial position. At the broadest level, also called the Government-wide statements, the statements summarize all City funds into one statement using the full accrual method of accounting. This method of accounting is similar to private sector accounting.

i) Statement of Net Assets

The Statement of Net Assets provides information on assets, liabilities and the difference between assets and liabilities, or net assets. Over time, increases and decreases in net assets can serve as a barometer of financial health. A trend of increasing net assets is viewed as a sign of improving condition. The *Statement of Net Assets* is similar to a balance sheet in private sector accounting.

ii) Statement of Activities

The Statement of Activities explains the change in net assets through revenue and expense analysis and comparison. All changes in net assets are reported as the change occurs. This means the statement includes depreciation on the assets. The statement does not report any capital projects. Capital projects are reported on the Statement of Net Assets.

b) Fund Focus

Traditional governmental accounting focused on individual governmental funds. These funds have not disappeared. As in the former financial model, a fund is defined as a group of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. Funds are used to ensure compliance with finance-related legal or regulatory compliance. Funds are classified as either governmental funds, proprietary funds or fiduciary funds.

i) Governmental Funds

Governmental funds are essentially equal to governmental activities except that internal service funds are proprietary funds included in governmental activities. Internal service funds are not governmental funds. Governmental funds use a modified accrual basis of accounting and focus on near-term inflows and outflows of spendable resources and the resulting balances of spendable resources. In the governmental funds statements, accounting for items such as capital outlay, depreciation, debt payments, and accrued vacation is different than in the government-wide statements. In governmental funds, capital outlay and debt principal are reported on the *Statement of Revenues, Expenditures and Changes in Fund Balance*. Depreciation is not recorded. The rule for reporting accrued vacation is more restrictive. The *Balance Sheet* for governmental funds does not include any capital assets or long-term debt.

(1) Major Funds

Under Governmental Accounting Standards Board (GASB) Statement 34, the focus has shifted from the governmental fund type to a major funds emphasis. Major funds are the largest funds in terms of assets, liabilities, revenues or expenses/expenditures. Greater detail is presented in Major Funds. For the City of Grand Haven, the following funds meet this major funds requirement:

- General Fund
- Public Improvement Fund
- · Board of Light and Power Fund

Note that the Board of Light and Power Fund issues its own annual financial report. Detail regarding its operations not found in this report may be found in that separate report, which is available at City hall or the Board's offices on Eaton Street.

(2) Non-major funds

In the basic financial statements, the remaining funds are considered non-major funds and are consolidated into one column. These are smaller, less active funds. Detailed information about non-major funds can be found after the Notes to the Financial Statements.

ii) Proprietary Funds

Proprietary funds use the full accrual method of accounting for both government-wide statements and fund level statements. There are two types of proprietary funds.

(1) Enterprise Funds

These funds are used to report business-like activities. In general, these funds charge a fee for goods or services provided. Also, the fee is expected to recover the cost of providing the goods or services. The City of Grand Haven uses enterprise funds for water distribution, wastewater collection, transit, marina, airport and the Board of Light and Power. The BLP fund qualifies as a major fund as noted above.

(2) Internal Service Funds

These funds provide goods or services to other city activities or functions. Internal service funds facilitate cost allocation of centralized services such as vehicle maintenance; health benefits; liability, property and auto insurance; worker and unemployment compensation; and claims administration. The City of Grand Haven has three internal service funds, the Motorpool Fund, the Self Insurance Fund and the Health Benefits Fund.

iii) Component Units

The City of Grand Haven's Comprehensive Annual Financial Report (CAFR) includes four component units. Component units are separate legal entities for which the City of Grand Haven has some level of financial accountability. Component units are shown in a separate column. The City of Grand Haven's component units include:

- The Brownfield Redevelopment Authority
- The Brownfield TIF (Boat Storage Project)
- The Economic Development Corporation
- The Central Business District Development Authority (CBDDA).

Shortly after the fiscal year presented here, the CBDDA changed its name to the Main Street Downtown Development Authority. More information about the component units can be found in the notes to the financial statements and in the schedules following the notes.

Notes to the Financial Statements

Immediately following the Government-wide financial statements are the Notes to the Financial Statements. The Notes are an integral part of the financial statements. The Notes contain many additional disclosures about the financial health of the City.

3) Financial Analysis

a) Net Assets

The Statement of Net Assets provides an overview of the City's assets, liabilities and net assets. As mentioned above, this can provide a good indicator of the City's fiscal health over time. A comparative analysis of government-wide data is presented pursuant to GASB requirements.

Below and on the following page is a summarized version of the Statement of Net Assets:

City of Grand Haven, Michigan Net Assets

June 30, 2005	Governmental Activities	Business- type Activities	Total
Current and other assets	\$13,002,858	\$37,787,836	\$50,790,694
Capital assets	33,373,251	59,845,418	93,218,669
Total assets	46,376,109	97,633,254	144,009,363
Long-term debt Other liabilities	3,163,463 756,660	59,147,059 9,896,827	62,310,522 10,653,487
Total liabilities	3,920,123	69,043,886	72,964,009
Net assets Invested in capital assets,			
net of related debt	30,840,859	15,133,566	45,974,425
Restricted	2,100,725	3,739,730	5,840,455
Unrestricted	9,514,402	9,716,072	19,230,474
Total net assets	\$42,455,986	\$28,589,368	\$71,045,354

City of Grand Haven, Michigan Net Assets

	Governmental	Business- type	
June 30, 2004	Activities	Activities	Total
Current and other assets Capital assets	\$12,034,783 33,177,723	\$39,223,707 60,209,227	\$51,258,490 93,386,950
Capital assets	00,177,720	00,200,227	00,000,000
Total assets	45,212,506	99,432,934	144,645,440
Long-term debt	3,625,388	61,602,721	65,228,109
Other liabilities	1,981,383	9,797,643	11,779,026
Total liabilities	5,606,771	71,400,364	77,007,135
Net assets			
Invested in capital assets,			
net of related debt	30,166,805	14,973,465	45,140,270
Restricted	1,957,457	3,771,474	5,728,931
Unrestricted	7,481,473	9,287,631	16,769,104
Total net assets	\$39,605,735	\$28,032,570	\$67,638,305

The total net assets is \$71,045,354. Investment in capital assets (including infrastructure) totals \$185,295,470, of which \$170,196,120 are being depreciated, leaving \$93,218,669 in net capital assets. The single largest category in capital assets is the City's investment in production and treatment systems of \$87,279,588. Of the more liquid assets, \$5,840,455 is restricted. The City has \$19,230,474 in unrestricted net assets. Infrastructure assets were adjusted in the June 30, 2004 amounts. (See Note 16)

Changes in Net Assets

i) Governmental Activities Highlights

The following table shows how activities effect changes in net assets during the fiscal year.

City of Grand Haven, Michigan Changes in Net Assets

Year ended June 30, 2005	Governmental Activities	Business- type Activities	Total
D			
Revenues Program revenue			
Charges for services	\$1,393,414	\$29,014,055	\$30,407,469
Grants and contributions	1,195,042	1,533,580	2,728,622
General revenues	,,,,,,,	, , , ,	
Property Taxes	6,565,974	-	6,565,974
Federal and state contributions	2,167,844	-	2,167,844
Investment earnings	259,212	617,820	877,032
Gain (loss) on sale of assets	28,300	(171,341)	(143,041)
Other	171,684	279,476	451,160
Total revenues	11,781,470	31,273,590	43,055,060
Expenses			
General government	2,663,230	_	2,663,230
Public safety	3,450,253	-	3,450,253
Public works	1,877,854	-	1,877,854
Culture and recreation	800,971	-	800,971
Interest	112,711	-	112,711
Board of Light and Power	-	25,246,219	25,246,219
Other proprietary funds	-	5,470,573	5,470,573
Total expenses	8,905,019	30,716,792	39,621,811
Change in net assets before transfers	2,876,451	556,798	3,433,249
Transfers to component units	(26,200)	-	(26,200)
Increase in net assets	2,850,251	556,798	3,407,049
Net assets, beginning of year	39,605,735	28,032,570	67,638,305
Net assets, end of year	\$42,455,986	\$28,589,368	\$71,045,354

City of Grand Haven, Michigan Changes in Net Assets

Year ended June 30, 2004	Governmental Activities	Business- type Activities	Total
Revenues Program revenue			
Charges for services	\$1,448,163	\$26,707,607	\$28,155,770
Grants and contributions	927,268	1,205,159	2,132,427
General revenues	027,200	1,200,100	2,102,421
Property Taxes	6,119,292	-	6,119,292
Federal and state contributions	1,113,365	-	1,113,365
Investment earnings	140,567	352,186	493,383
Other	197,649	1,188,700	1,386,349
Total revenues	9,946,304	29,454,282	39,400,586
Expenses			
General government	2,552,596	_	2,552,596
Public safety	3,214,168	_	3,214,168
Public works	1,711,129	-	1,711,129
Culture and recreation	662,969	-	662,969
Board of Light and Power	-	24,502,571	24,502,571
Other proprietary funds	-	5,177,412	5,177,412
Total expenses	8,140,862	29,679,983	37,820,845
Change in net assets before transfers	1,805,442	(225,701)	1,579,741
Transfers to component units	(26,600)	-	(26,600)
Increase in net assets	1,778,842	(225,701)	1,553,141
Net assets, beginning of year	37,826,893	28,258,271	66,085,164
Net assets, end of year	\$39,605,735	\$28,032,570	\$67,638,305

(1) Revenue sources and changes

Total revenue from all sources totaled \$43,055,060 of which \$11,781,470 was from governmental activities and \$31,273,590 was from business-type activities. \$6,565,974 or 55.73% of governmental revenue is from property taxes. The millage rate for general operations was maintained at 9.9476 from the prior year. Another 18.40% or \$2,167,844 in revenue was from unrestricted state shared revenue. 11.83% or \$1,393,414 of governmental activities revenue was funded through charges for services.

(2) Expenses and expenditures changes

(a) Overall cost

Using a full accrual basis of accounting, the City of Grand Haven spent \$8,905,019 on governmental activities. From this perspective, the City depreciates capital assets including infrastructure such as streets and sidewalks. The City spent \$3,450,253 on public safety or 38.75% of the total expenditures. General government was the next largest item with \$2,663,230 or 29.91% of the total. Public works activities totaled \$1,877,854 or 21.08% of the total and culture and recreation expenses totaled \$800,971 or 9.0% of the total.

(b) Operating transfers

Significant transfers of funds between governmental funds occurred during the year. Transfers out of the General Fund totaled \$884,875, the greatest portion of these being transferred into the Public Improvement Fund, a total of \$532,035. These transfers occur on an annual basis, but for clarity of reporting are noted here.

ii) Business-type Activities - Highlights

Business-type activities show an increase in net assets of \$556,798 from revenues of \$31,273,590. The largest source of revenue was from charges for services of \$29,014,055 or 92.78% of revenues for business-type activities. Charges for services of non-major proprietary funds are further detailed as follows:

•	Wastewater	\$1,263,855
•	Water	1,268,352
•	Transit	290,596
•	Marina	245,204
•	Airport	100,088
•	Chinook Pier Rental	33,104

As the Board of Light and Power produces its own audited annual financial report, further information on their activities may be obtained from that document.

Harbor Transit and water are the largest business-type activities after the Board of Light and Power at \$1,902,524 and \$1,830,063 in expenses respectively.

(1) City Water (Distribution)

The City Water Fund is a capital intensive activity. In recent years, the fund has been showing an increase in net assets, but it is showing a slight decrease in cash flow anticipated by the current water rates and various capital projects. Water rates were increased by 25 cents per 1000 gallons effective July 1, 2005 (after the fiscal year reported herein), a 17.98% increase anticipating future capital needs. The City's S.W.I.S.S. infrastructure project includes water distribution line replacement to determine whether the current "pay as you go" policy is sufficient for future needs. New meter reading technology is also under consideration. The FY2004-05 budget included funds to study the water distribution system and to determine the best method of managing future system maintenance. With the continuing implementation of new regulatory requirements for selected water treatment systems, capital needs for the fund will be increasing. In November 2005, a millage election is scheduled to seek voter approval on the financing sources being considered.

Note that this fund handles only the distribution of water to City of Grand Haven customers and purchases its treated water from the Northwest Ottawa Water System (NOWS) Fund, a joint venture of Northwest Ottawa County communities. Note also that the NOWS Fund is working on south intake system installation and repair and anticipates a substantial increase in the size of the water plant within five years.

(2) City Sewer (Collection)

The City Sewer Fund has a sufficient cash position at \$363,636. With operating revenues of \$1,320,407, the fund had an increase of \$183,425 in net assets. The fund has sufficient reserves to meet its cash flow and capital needs for the immediate future; however, should larger projects be warranted, the City may need to consider borrowing to attain the funding. Sewer rates were increased by 25 cents per 1000 gallons effective July 1, 2005 (after the fiscal year reported herein), a 9.22% increase anticipating future capital needs. City Administration, through the S.W.I.S.S. project under the direction of City Council, is looking at major infrastructure projects including wastewater collection lines to determine whether the current "pay as you go" policy is sufficient for future needs. The FY2004-05 budget included funds to study the system and determine the best method of managing future collection system maintenance. In November 2005, a millage election is scheduled to seek voter approval on the financing sources being considered.

(3) Harbor Transit

The City owns and operates a demand-response bus system, funded by a combination of bus fares, property taxes and grants from state and federal partners. Major capital assets are usually purchased with grants from the State and Federal governments. The Harbor Transit Fund has a healthy unrestricted net assets position of \$391,152 and \$328,688 in cash and investments at June 30, 2005.

The biggest challenge facing the transit system remains the City's entry into direct Federal aid for operations which included a revised capital component. The City of Grand Haven is now part of the Muskegon Metropolitan Statistical Area pursuant to the 2000 Census. Coordination with the Muskegon Municipal Planning Organization is crucial to maintaining and advancing transportation needs for the City and North Ottawa area residents. While funding levels are relatively static, City elected officials and management continue to work with elected officials in Lansing to maintain the current reimbursement formula.

During the prior fiscal year, the City received notice from Spring Lake Township that the services provided to the Strawberry Point area would be discontinued by June 30, 2004. This small reduction in service area will not greatly affect Harbor Transit funding or expenditures.

(4) Marina

Fiscal needs of the Marina Fund are consistent with infrastructure assets reaching the end of their useful life, especially docks. During the fiscal year, the City renovated about 20 docks (about 40% of the total marina) utilizing approximately \$358,000 in cash reserves. City Administration is considering alternatives to and funding from the State and other agencies for continuing needed renovations and extending the useful life of current assets. Local resources do not meet the need for complete dock replacement.

(5) Airport

The Airport Fund continues to pay on its newest hangars (1995 and 1998) and remains in a positive position. The avigation easement project continued during the fiscal year with the remaining easement agreements arrived at through arbitration. Operationally, the airport remains viable, but revenue closely matches expenditures. The increase in net assets noted in this report is largely grant funding provided for the avigation easements.

Under consideration is the construction of a three unit commercial hangar structure costing approximately \$800,000, funding coming from State (2.5%) and Federal (95%) sources. Construction could occur in the spring of 2006 pending City Council approval.

(6) Chinook Pier Rental

The Chinook Pier Rental fund was created for the fiscal year ended June 30, 2005, to separately account for revenue from the rental of the Chinook Pier buildings, purchased for \$1,060,000 in the Spring of 2005 (the land beneath them was already owned by the City). The City Council hired Commerce Realty of Grand Rapids to manage the property for the City. The new enterprise fund will account for revenue and expenditures related to the operation of the property and maintain the accounting for these assets and debt related to same. An installment purchase agreement in the amount of \$1,060,000 was issued to pay for the property. It is anticipated that revenue will pay most of the cost of the debt over time, remaining cost being paid from a transfer from other funds. No transfer was affected in the fiscal year reported. It is unclear as to how long the City will operate the Chinook Pier property in this way so the "going concern" assumption is being used for this audit.

4) Financial Analysis of Individual Funds

(1) General Fund

The General Fund had revenues of \$9,425,134 and \$7,568,349 in expenditures. Revenue came in over budget, expenditures under budget. Net transfers to other funds and component units were \$911,075, the largest going to Public Improvement Fund and Major and Local Streets Funds, pursuant to millage receipts and direction of City Council. Net assets increased by \$961,491. While there were a few adjustments to the original General Fund budget, the final budget did not increase from the original budget, anticipating revenue shortfalls, primarily from State sources. General Fund expenditures overall were within budget.

For FY 2004-05, City Council's budget resolution required City Council review of cumulative transfers over \$1,000 in General Fund line items and provided department - level total approval in that Fund. The remaining Funds have been approved on a "whole fund" basis. This is anticipated for future years as well.

(2) Public Improvement Fund

The Public Improvement Fund posted revenue of \$386,125 and expenditures of \$1,123,323. Transfers to other funds totaled \$641,156 while transfers to the Public Improvement Fund totaled \$532,035. Also, the Public Improvement Fund received \$809,730 in proceeds from the sale of North End Development property adjacent to Beacon Boulevard to MDOT.

(3) Board of Light and Power Fund

As the Board of Light and Power produces its own audited annual financial report, further information may be obtained from that document.

5) Capital Assets and Debt Administration

a) Capital assets

i) Summary of capital assets

The City of Grand Haven has \$93,218,669 invested in capital assets net of depreciation, \$33,373,251 in governmental activities and \$59,845,418 in business-type activities. The major investments are in Major and Local Streets under the governmental activities and in property, plant and distribution/collection systems within the Board of Light and Power, City Sewer and City Water Funds. Capital assets include purchases of assets that exceed \$1,000 and have an expected useful life greater than one year. Capital assets includes: land, land improvements, streets, sidewalks, buildings, equipment and utility systems such as the J. B. Sims (electric generation) plant and electric, water and sewer lines. The City uses straight line depreciation for all depreciable assets.

Some of the major capital purchases during the year included:

- Purchase of Chinook Pier buildings through installment purchase agreement proceeds.
 The land beneath was already owned by the City.
- Continuing investment in street resurfacing, water and sewer line maintenance and replacement, especially on Sheldon Road.

The City also sold a strip of land adjacent to Beacon Boulevard to the east side of the North End Redevelopment (Grand Landing) property to MDOT during the year.

For more complete information please see Note 4 in the Notes to the Basic Financial Statements elsewhere in this document.

ii) Discussion of future plans

Annually, the City Council considers and publishes a 5-year Capital Improvement Plan. The Plan lists all major capital items that the City Council, various City Boards and staff envision will be needed over the next five years. Listed major projects for the next two years include:

- A ski pavilion building at Mulligan's Hollow, funded in part by local grants
- A redesigned and reconstructed skate park, also in Mulligan's Hollow
- A cemetery retaining wall
- Bicentennial Park restroom renovation
- Community Center renovation

6) Debt

a) Summary of debt:

The City of Grand Haven had \$62,310,522 in debt outstanding as of June 30, 2005. The Board of Light and Power is responsible for \$57,675,099 of the total debt outstanding in revenue refunding bonds. During the fiscal year, the City issued debt in the form of a \$1,060,000 installment purchase agreement for the purchase of Chinook Pier buildings. Payments on all loans and obligations were made appropriately and on time. Also, \$710,000 in Brownfield TIF (Boat Storage Project) debt was issued to be reimbursed by tax increments, the second Brownfield TIF bond issued in the State.

b) Anticipated new debt:

The City's current bonded indebtedness is presently anticipated to increase during coming years. The S.W.I.S.S. project analysis shows that over \$31,000,000 in high priority improvements are needed over six years. Planning for downtown and waterfront improvements requires tax increment financing outside of the S.W.I.S.S. project, at an additional \$12,500,000 over 5 years. Also, upon the sale of Grand Landing property to a private developer, the Brownfield Redevelopment Authority plans to issue substantial tax increment financing based on future tax revenue from the area.

Note 5 of the notes to the financial statements offers more detailed information on debt and other obligations.

7) Economic Forecast

a) The City of Grand Haven has three main sources of revenue. These include property taxes, utility charges, and state shared revenue. The economic forecast for the community is dependent on these three revenues, as discussed below.

i) Tax Base

The annual change in taxable value and state equalized value of the City is closely tracked through the Assessing Division. The following table shows property values for the past three years as well as the property valuation that will be used in the FY2005-6 property tax calculations. State Equalized Value (SEV) is the Assessor's estimate of 50% of market value (also called "true cash" value). Property taxes are calculated on taxable value, not SEV.

Pursuant to 1994's Proposal A and related legislation, annual taxable value growth is capped, by state constitution, to 5% or the rate of inflation whichever is less. In the year when property sells, the taxable value becomes uncapped and equal to SEV.

In future years, significant improvements to taxable value and SEV will include the GrandWater project and various commercial, industrial and residential additions. Some reduction in taxable value have occurred with various business and industrial closings during the fiscal year herein reported.

City of Grand Haven, Michigan State Equalized Value										
Fiscal Year Real Personal IFT Total										
2001-02	\$383,610,600	\$60,145,950	\$36,685,750	\$480,442,30						
2002-03	411,835,550	57,828,500	37,219,850	506,883,90						
2003-04	437,722,500	53,786,150	31,232,000	522,740,65						
2004-05	459,525,400	57,125,500	29,358,750	546,009,65						
2005-06	491,490,800	60,083,200	26,526,500	578,100,50						
	City of G	Frand Haven, Mic	higan							
		Taxable Value								
Fiscal Year	Real	Personal	IFT	Total						
2001-02	\$332,895,523	\$60,145,950	\$36,246,428	\$429,287,90						
2002-03	353,703,339	57,828,500	36,814,619	448,346,45						
2003-04	366,985,988	53,786,150	30,952,250	451,724,38						
2004-05	387,279,063	57,125,500	29,194,212	473,598,77						
2005-06	412,999,155	60,083,200	26,419,200	499,501,55						

ii) State Shared Revenue

State shared ("community funding") revenue is the second largest source of revenue for the General Fund. It represents 13.66% or \$1,287,844 of General Fund revenue. It is made of two components and based on the State sales tax rate of 6%. The "constitutional" component is based on the former 4% sales tax. This portion cannot be adjusted by the legislature. The "statutory" component is based on the additional 2% added to the state sales tax and can be adjusted by the state legislature. In both components, the overall distribution is dependent on the collection of state sales taxes. When the economy and sales diminish, the revenue stream is reduced. When the economy and sales improve, revenue may increase, although in recent years, there has been a substantial reduction maintained. Therefore, the City of Grand Haven's General Fund is partially dependent on the overall State of Michigan economy.

In preparing the annual budgets, City Administration uses the Michigan Department of Treasury's estimates as published on their web site. Current forecasts of state shared revenues show decreases in revenue from FY1998-99 forward. Management believes that the FY2005-06 budget was prepared with recognition of the softening economy and anticipates further reduction of the statutory portion. The current fund balance will enable the City to weather any likely reductions in FY2005-06 community funding revenue, however, conservative estimates for the future will likely be needed.

iii) Utility Charges for Services

From an entity wide perspective, utility charges for services are the third major revenue source. Utility service sales are affected by the economy and by the weather for residential customers and by the general economic conditions of local industries. For the FY2005-06 budget, City Administration forecasted that units of sales will be roughly equal to FY2004-05 volumes.

8) Contacting the City's Financial Management Staff

This financial report is designed to provide our citizens, taxpayers, customers, and investors and creditors with a general overview of the City's finances and to show the City's accountability for the money it receives. If you have questions about this report or need additional financial information, contact us at 519 Washington Avenue, Grand Haven, MI 49417, or call us at 616 842-3210, or e-mail us at the addresses noted below:

Patrick McGinnis City Manager pmcginnis@grandhaven.org James P. Bonamy, CPFA Finance Director jbonamy@grandhaven.org

	Primary Government		
June 30, 2005	Governmental Activities	Business-Type Activities	Total
owne so, soci	1101111100	7101111100	Total
Assets	1		
Cash and cash equivalents	\$ 9,979,328	\$ 20,447,801	30,427,129
Receivables			
Accounts	138,455	3,289,032	3,427,487
Intergovernmental	1,470,771	301,708	1,772,479
Assessments	118,851	39,496	158,347
Interest	110.760	36,362	36,362
Prepaid items	112,760	30,927	143,687
Internal balances	1,121,704	(2,162)	1,119,542
Inventory Pertricted assets (Note 1)	60,989	3,567,742	3,628,731
Restricted assets (Note 1) Capital assets, net of accumulated depreciation (Note 4)	33,373,251	9,621,760 59,845,418	9,621,760
Deferred charges	33,373,231	455,170	93,218,669 455,170
Deterrou charges	<u> </u>	433,170	433,170
Total Assets	46,376,109	97,633,254	144,009,363
Liabilities			
Payables			
Accounts	356,745	2,271,070	2,627,815
Intergovernmental	² 567	35,356	35,923
Accrued liabilities	211,010	898,785	1,109,795
Current liabilities payable from restricted assets (Note 1)	· -	5,882,030	5,882,030
Long-term debt (Note 5)		, ,	, ,
Due within one year	877,582	148,577	1,026,159
Due in more than one year	2,285,881	58,998,482	61,284,363
Unearned revenues	188,338	809,586	997,924
Total Liabilities	3,920,123	69,043,886	72,964,009
Net Assets			
Investment in capital assets net of related debt	30,840,859	15,133,566	45,974,425
Restricted for	30,040,037	15,155,500	.5,77.4,725
Capital projects	554,150	_	554,150
Debt service	209,699	3,739,730	3,949,429
Perpetual care	1,336,876	-	1,336,876
Unrestricted	9,514,402	9,716,072	19,230,474
Net Assets	\$ 42,455,986	\$ 28,589,368 \$	71,045,354

Statement of Net Assets

Component Units						
Economic Development Corporation	Central Business District Development Authority	Brownfield Redevelopment Authority	Brownfield TIF (Boat Storage Project)			
\$ 44,668	\$54,786	\$ 4,169	\$ 203,947			
- - -	:	- - -	-			
442,465	1,500	(1,519,465)	- - -			
-	- - -	- - -	625,608			
487,133	56,286	(1,515,296)	829,555			
- -	9,412	6,934	118,761			
-	-	-	-			
10,000 10,000	- - -	- - -	35,000 675,000			
20,000	9,412	6,934	828,761			
-	-	-	-			
467,133	46,874	(1,522,230)	794			
\$467,133	\$46,874	\$ (1,522,230)	\$ 794			

The accompanying notes are an integral part of this statement.

		Program Revenues				
Year ended June 30, 2005	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Total	
Primary Government						
Government activities						
General government	\$ 2,663,230	\$ 1,052,103	\$ -	\$346,040	\$ 1,398,143	
Public safety	3,450,253		_	-	147,510	
Public works	1,877,854		849,002	-	1,042,803	
Culture and recreation	800,971		,	-		
Debt service						
Interest	112,711	-	-	-	_	
Total Government Activities	8,905,019		849,002	346,040	2,588,456	
Business-Type Activities						
Board of Light and Power	25,246,219	25,741,641	-	-	25,741,641	
Other proprietary funds	5,470,573		1,533,580	-	4,805,994	
Total Business-Type Activities	30,716,792	29,014,055	1,533,580	-	30,547,635	
Total Primary Government	\$ 39,621,811	\$ 30,407,469	\$ 2,382,582	\$346,040	\$ 33,136,091	
Component Units						
Économic Development						
Corporation	\$ 2,037	\$ -	\$ -	s -	\$ -	
Central Business District	2,00	•	•	Ψ	•	
Development Authority	83,525	-	_	-	_	
Brownfield Redevelopment	02,020					
Authority	236,927	_	_	_	_	
Brownfield TIF (Boat Storage	,,-					
Project)		_		_		
Total Component Units	\$ 322,489	\$ -	\$ -	\$ -	s -	

General Revenues Taxes

Grants and contributions not restricted to specific programs Interest income

Gain (loss) on sale of assets

Miscellaneous

Transfers to component units

Total General Revenues, Special Items, and Transfers

Change in Net Assets

Net Assets – beginning of year as restated (Note 16)

Net Assets, end of year

Statement of Activities

Net (Expense) Revenue and Changes in Net Assets			Component Units				
Governmental	Primary Government Business-Type Activities	Total	Economic Development Corporation	Central Business District Development Authority	Brownfield Redevelopment Authority	Brownfield TIF (Boat Storage Project	
	1 202 / 11200						
\$ (1,265,087) (3,302,743) (835,051) (800,971)	\$ - - -	\$ (1,265,087) (3,302,743) (835,051) (800,971)	\$ - - - -	\$ - - -	\$ - - -	\$ - - - -	
(112,711)	_	(112,711)	-	-	-	_	
(6,316,563)	-	(6,316,563)	-	-	-		
-	495,422 (664,579) (169,157)			-	-	-	
						-	
(6,316,563)	(169,157)	(6,485,720)		-	<u>-</u>	_	
-	-	-	(2,037)	-	-	-	
-	-	-	-	(83,525)	-	-	
-	-	-	-	-	(236,927)	-	
-	-	-	(2,037)	(83,525)	(236,927)	-	
6,565,974	_	6,565,974	_	52,971	_	_	
2,167,844	-	2,167,844	-	-	-	-	
259,212	617,820	877,032	4,723	9,786	291	794	
28,300	(171,341)	(143,041)	- 6 552	1.600	-	-	
171,684 (26,200)	279,476	451,160 (26,200)	6,553 11,200	1,500 15,000	-	_	
9,166,814	725,955	9,892,769	22,476	79,257	291	794	
2,850,251	556,798	3,407,049	20,439	(4,268)	(236,636)	794	
39,605,735	28,032,570	67,638,305	446,694	51,142	(1,285,594)	_	
\$ 42,455,986	\$ 28,589,368	\$ 71,045,354	\$467,133	\$ 46,874	\$ (1,522,230)	\$ 794	

The accompanying notes are an integral part of this statement

Governmental Funds

Balance Sheet

Assets Cash and cash equivalents \$2,725,050 \$1,755,915 \$3,681,655 Due from other governments 356,761 880,000 228,610 Receivables 72,433 4,000 10,290 Assessments 2,966 - 115,885 Due from other funds (Note 6) 39,178 - 35 Due from component units - 1,077,000 - Inventory 46,483 - - Accounts payable \$3,242,871 \$3,716,915 \$4,036,475 Liabilities 2271,139 \$16,022 \$48,277 Deferred revenue 72,234 880,000 116,104 Due to other funds (Note 6) 2,677 - 4,877 Due to component units 1,500 - - Total Liabilities 347,550 896,022 169,258 Fund Balances - - 209,699 Reserved for debt service - - 209,699 Reserved for endowments - - 1,336,876	1,465,371 86,723
Due from other governments 356,761 880,000 228,610 Receivables 72,433 4,000 10,290 Assessments 2,966 - 115,885 Due from other funds (Note 6) 39,178 - 35 Due from component units - 1,077,000 - Inventory 46,483 - - Total Assets \$3,242,871 \$3,716,915 \$4,036,475 Liabilities Accounts payable \$271,139 \$16,022 \$48,277 Deferred revenue 72,234 880,000 116,104 Due to other funds (Note 6) 2,677 - 4,877 Due to component units 1,500 - - Total Liabilities 347,550 896,022 169,258 Fund Balances Reserved for debt service - - 209,699 Reserved for capital projects - 475,800 78,350 Reserved for endowments - - 1,336,876 Unreserved - 2,345,093 - </td <td>1,465,371 86,723</td>	1,465,371 86,723
Due from other governments 356,761 880,000 228,610 Receivables Accounts 72,433 4,000 10,290 Assessments 2,966 - 115,885 Due from other funds (Note 6) 39,178 - 35 Due from component units 1,077,000 - 1,077	86,723
Accounts 72,433 4,000 10,290 Assessments 2,966 - 115,885 Due from other funds (Note 6) 39,178 - 35 Due from component units - 1,077,000 - Inventory 46,483	
Assessments Due from other funds (Note 6) Due from other funds (Note 6) Due from component units Say 242,871 Total Assets Say 242,871 Say 716,915 Say 36,475 Liabilities Accounts payable Say 71,139 Deferred revenue 72,234 Say 900	
Due from other funds (Note 6) 39,178 - 35 Due from component units - 1,077,000 - Inventory 46,483 - - Total Assets \$3,242,871 \$3,716,915 \$4,036,475 Liabilities - \$271,139 \$16,022 \$48,277 Deferred revenue 72,234 880,000 116,104 Due to other funds (Note 6) 2,677 - 4,877 Due to component units 1,500 - - Total Liabilities 347,550 896,022 169,258 Fund Balances - - 209,699 Reserved for debt service - - 209,699 Reserved for capital projects - 475,800 78,350 Reserved for endowments - - 1,336,876 Unreserved - 2,345,093 - Designated for various projects - 2,345,093 - Undesignated 2,895,321 - 2,242,292	118,851
Due from component units	
Inventory	, –
Total Assets \$3,242,871 \$3,716,915 \$4,036,475 Liabilities Accounts payable \$271,139 \$16,022 \$48,277 Deferred revenue 72,234 880,000 \$116,104 Due to other funds (Note 6) 2,677 - 4,877 Due to component units 1,500 - - Total Liabilities 347,550 896,022 169,258 Fund Balances Reserved for debt service - - 209,699 Reserved for capital projects - 475,800 78,350 Reserved for endowments - - 1,336,876 Unreserved Designated for various projects - 2,345,093 - Undesignated 2,895,321 - 2,242,292	1,077,000
Liabilities Accounts payable \$ 271,139 \$ 16,022 \$ 48,277 Deferred revenue 72,234 880,000 116,104 Due to other funds (Note 6) 2,677 - 4,877 Due to component units 1,500 - - Total Liabilities Reserved for debt service Reserved for debt service - - 209,699 Reserved for capital projects - 475,800 78,350 Reserved for endowments - - 1,336,876 Unreserved - 2,345,093 - Undesignated 2,895,321 - 2,242,292	46,483
Accounts payable \$ 271,139 \$ 16,022 \$ 48,277 Deferred revenue 72,234 880,000 116,104 Due to other funds (Note 6) 2,677 - 4,877 Due to component units 1,500 - - Total Liabilities 347,550 896,022 169,258 Fund Balances Reserved for debt service - - 209,699 Reserved for capital projects - 475,800 78,350 Reserved for endowments - - 1,336,876 Unreserved - 2,345,093 - Undesignated 2,895,321 - 2,242,292	10,996,261
Accounts payable \$ 271,139 \$ 16,022 \$ 48,277 Deferred revenue 72,234 880,000 116,104 Due to other funds (Note 6) 2,677 - 4,877 Due to component units 1,500 - - Total Liabilities 347,550 896,022 169,258 Fund Balances Reserved for debt service - - 209,699 Reserved for capital projects - 475,800 78,350 Reserved for endowments - - 1,336,876 Unreserved - 2,345,093 - Undesignated 2,895,321 - 2,242,292	
Deferred revenue 72,234 880,000 116,104 Due to other funds (Note 6) 2,677 - 4,877 Due to component units 1,500 - - Total Liabilities 347,550 896,022 169,258 Fund Balances Reserved for debt service - - 209,699 Reserved for capital projects - 475,800 78,350 Reserved for endowments - - 1,336,876 Unreserved - 2,345,093 - Undesignated 2,895,321 - 2,242,292	335,438
Due to other funds (Note 6) 2,677 - 4,877 Due to component units 1,500 - - Total Liabilities 347,550 896,022 169,258 Fund Balances Reserved for debt service - - 209,699 Reserved for capital projects - 475,800 78,350 Reserved for endowments - - 1,336,876 Unreserved - 2,345,093 - Undesignated 2,895,321 - 2,242,292	
Due to component units 1,500 - - Total Liabilities 347,550 896,022 169,258 Fund Balances Reserved for debt service - - 209,699 Reserved for capital projects - 475,800 78,350 Reserved for endowments - - 1,336,876 Unreserved - 2,345,093 - Undesignated 2,895,321 - 2,242,292	
Total Liabilities 347,550 896,022 169,258 Fund Balances Reserved for debt service - - 209,699 Reserved for capital projects - 475,800 78,350 Reserved for endowments - - 1,336,876 Unreserved - 2,345,093 - Undesignated 2,895,321 - 2,242,292	1,500
Fund Balances Reserved for debt service - - 209,699 Reserved for capital projects - 475,800 78,350 Reserved for endowments - - - 1,336,876 Unreserved - 2,345,093 - - Undesignated 2,895,321 - 2,242,292	
Reserved for debt service - - 209,699 Reserved for capital projects - 475,800 78,350 Reserved for endowments - - 1,336,876 Unreserved - 2,345,093 - Undesignated 2,895,321 - 2,242,292	-,,
Reserved for capital projects - 475,800 78,350 Reserved for endowments - - 1,336,876 Unreserved - 2,345,093 - Undesignated 2,895,321 - 2,242,292	209,699
Reserved for endowments - 1,336,876 Unreserved Designated for various projects - 2,345,093 Undesignated 2,895,321 - 2,242,292	
Unreserved Designated for various projects Undesignated 2,895,321 - 2,242,292	
Undesignated 2,895,321 - 2,242,292	-,,
	2,345,093
Total Fund Polances 2 905 221 2 920 902 2 927 217	5,137,613
Total Fund Balances 2,895,321 2,820,893 3,867,217	9,583,431
Total Liabilities and Fund Balances \$3,242,871 \$3,716,915 \$4,036,475	
Amounts reported for Governmental Activities in the Statement of Net Assets are different because Capital assets used for governmental activities are not current financial resources and, therefore, are not reported in the Governmental Funds Balance Sheet. Internal Service Funds are used by management to charge the costs of certain activities, such as insurance and equipment leasing to individual funds. The assets and liabilities of the Internal Service Funds are included in the governmental activities in the Government-	31,665,111 h
Wide Statement of Net Assets Long term liabilities are not due and payable in the current period and, therefore, they are no	
and the Covernmental Funds Ralance Sheet	(3,163,463)
Unearned revenues are recognized on the full accrual basis in the Government-wide	880,000_
Financial Statements	\$ 42,455,986
Net Assets of Governmental Activities	,,,

Governmental Funds

Statement of Revenues, Expenditures and Changes in Fund Balance

Taxes	Year ended June 30, 2005	General Fund	Public Improvement Fund	Non-Major Governmental Funds	Total Governmental Funds
Special assessments levied -	Revenues				
Special assessments levied -	Taxes	\$ 6,565,974	\$ -	\$ -	\$ 6,565,974
Licenses and permits 360,715 - 342,040 - 342,0	Special assessments levied	-	_		, ,
Federal sources 1,287,844 4,000 849,002 2,140,846 Charges for services 824,328 - 26,195 850,523 Fines and forfeits 147,510 - - 147,510 Interest, penaltics and rent 153,781 31,345 74,086 259,212 Miscellaneous revenue 84,982 8,740 77,962 171,684 Total Revenues 9,425,134 386,125 1,061,911 10,873,170 Expenditures 6 - - 3,427,939 - - 3,427,939 Public safety 3,427,939 - - 3,427,939 - - 3,427,939 Public works 749,654 - 843,482 1,593,136 1,112,711 112,711 112,711 Capital outlay - 1,223,823 77,490 1,301,313 1,313 1,301,313 3,427,939 - - 474,8186 - - 474,8186 - - 1,428,186 - - 1,428,186 - -		360,715	-	-	
State sources 1,287,844 4,000 849,002 2,140,846 Charges for services 824,328 - 26,195 850,523 Fines and forfeits 147,510 - - 147,510 Interest, penalties and rent Miscellaneous revenue 153,781 31,345 74,086 259,212 Miscellaneous revenue 84,982 8,740 77,962 171,684 Total Revenues 9,425,134 386,125 1,061,911 10,873,170 Expenditures General government 2,642,570 1,500 1,650 2,645,720 Public safety 3,427,939 - - - 3,427,939 Public works 749,654 - 843,482 1,593,136 Culture and recreation 748,186 - - 112,711 112,711 112,711 112,711 112,711 12,711 112,711 112,711 112,711 112,711 112,711 12,711 112,711 112,711 112,711 112,711 112,711 12,711 12,711 12,711		-	342,040	-	
Charges for services 824,328 - 26,195 850,523 Fines and forfeits 147,510 - - 147,510 Interest, penalties and rent 153,781 31,345 74,086 259,212 Miscellaneous revenue 84,982 8,740 77,962 171,684 Total Revenues 9,425,134 386,125 1,061,911 10,873,170 Expenditures - - - 3,427,939 Public safety 3,427,939 - - - 3,427,939 Public works 749,654 - 843,482 1,593,136 Culture and recreation 748,186 - - 112,711 112,711 Capital outlay - 1,223,823 77,490 1,301,313 Debt service - - (102,000) 580,526 478,526 Total Expenditures 7,568,349 1,123,323 1,615,859 10,307,531 Revenues over (under) expenditures 1,856,785 (737,198) (553,948) 565,639		1,287,844	,	849,002	
Fines and forfeits 147,510 Interest, penalties and rent Miscellaneous revenue 147,510 153,781 31,345 74,086 259,212 74,086 259,212 171,684 Total Revenues 9,425,134 386,125 1,061,911 10,873,170 Expenditures Semantic Seneral government 2,642,570 1,500 1,650 2,645,720 1,001,911 2,001,001,001,001,001,001,001,001,001,00	Charges for services		-		
Interest, penalties and rent 153,781 31,345 74,086 259,212 Miscellaneous revenue 84,982 8,740 77,962 171,684 Total Revenues 9,425,134 386,125 1,061,911 10,873,170 Expenditures			-		
Miscellaneous revenue 84,982 8,740 77,962 171,684 Total Revenues 9,425,134 386,125 1,061,911 10,873,170 Expenditures General government 2,642,570 1,500 1,650 2,645,720 Public safety 3,427,939 - - 3,427,939 Public works 749,654 - 843,482 1,593,136 Culture and recreation 748,186 - - - 748,186 Interest - - 112,711 112,711 112,711 122,711 112,711 112,711 112,711 12,711 112,711 12,711 112,711 112,711 12,711 112,711 12,711 112,711 12,711 112,711 12,711 112,711 12,711 12,711 112,711 12,711 12,711 12,711 12,711 12,711 12,711 12,711 12,711 12,711 12,711 12,711 12,711 12,711 12,711 12,711 12,711 12,711 12,711 12,711 <td></td> <td></td> <td>31.345</td> <td>74.086</td> <td></td>			31.345	74.086	
Total Revenues 9,425,134 386,125 1,061,911 10,873,170 Expenditures					
Common					
General government 2,642,570 1,500 1,650 2,645,720 Public safety 3,427,939 - - 3,427,939 Public works 749,654 - 843,482 1,593,136 Culture and recreation 748,186 - - 748,186 Interest - - 112,711 112,711 112,711 Capital outlay - 1,223,823 77,490 1,301,313 1,202,802 77,490 1,301,313 Debt service - (102,000) 580,526 478,526 Total Expenditures 7,568,349 1,123,323 1,615,859 10,307,531 Revenues over (under) expenditures 1,856,785 (737,198) (553,948) 565,639 Other Financing Sources (Uses) Sales of capital assets - 809,730 - 809,730 Transfers in 15,781 532,035 1,170,457 1,718,273 Transfers to component units (26,200) - - (26,200) Transfers out <td< td=""><td>Total Revenues</td><td>9,423,134</td><td>360,123</td><td>1,001,711</td><td>10,673,170</td></td<>	Total Revenues	9,423,134	360,123	1,001,711	10,673,170
General government 2,642,570 1,500 1,650 2,645,720 Public safety 3,427,939 - - 3,427,939 Public works 749,654 - 843,482 1,593,136 Culture and recreation 748,186 - - 748,186 Interest - - 112,711 112,711 112,711 Capital outlay - 1,223,823 77,490 1,301,313 1,202,802 77,490 1,301,313 Debt service - (102,000) 580,526 478,526 Total Expenditures 7,568,349 1,123,323 1,615,859 10,307,531 Revenues over (under) expenditures 1,856,785 (737,198) (553,948) 565,639 Other Financing Sources (Uses) Sales of capital assets - 809,730 - 809,730 Transfers in 15,781 532,035 1,170,457 1,718,273 Transfers to component units (26,200) - - (26,200) Transfers out <td< td=""><td>Expenditures</td><td></td><td></td><td></td><td></td></td<>	Expenditures				
Public safety 3,427,939 - 3,427,939 Public works 749,654 - 843,482 1,593,136 Culture and recreation 748,186 - - 748,186 Interest - - 112,711 112,711 Capital outlay - 1,223,823 77,490 1,301,313 Debt service - (102,000) 580,526 478,526 Total Expenditures 7,568,349 1,123,323 1,615,859 10,307,531 Revenues over (under) expenditures 1,856,785 (737,198) (553,948) 565,639 Other Financing Sources (Uses) Sales of capital assets - 809,730 - 809,730 Transfers in 15,781 532,035 1,170,457 1,718,273 Transfers to component units (26,200) - - (26,200) Transfers out (884,875) (641,156) (192,242) (1,718,273) Total Other Financing Sources (Uses) (895,294) 700,609 978,215 783,530 Rev		2.642.570	1.500	1.650	2 645 720
Public works 749,654 - 843,482 1,593,136 Culture and recreation 748,186 - - 748,186 Interest - - 112,711 112,711 Capital outlay - 1,223,823 77,490 1,301,313 Debt service - (102,000) 580,526 478,526 Total Expenditures 7,568,349 1,123,323 1,615,859 10,307,531 Revenues over (under) expenditures 1,856,785 (737,198) (553,948) 565,639 Other Financing Sources (Uses) - 809,730 - 809,730 Transfers in 15,781 532,035 1,170,457 1,718,273 Transfers to component units (26,200) - - (26,200) Transfers out (884,875) (641,156) (192,242) (1,718,273) Total Other Financing Sources (Uses) (895,294) 700,609 978,215 783,530 Revenues and other sources over (under) expenditures and other uses 961,491 (36,589) 424,267 1,349,			-,,,,,,		
Culture and recreation 748,186 - - 748,186 Interest - - 112,711 112,711 Capital outlay - 1,223,823 77,490 1,301,313 Debt service - (102,000) 580,526 478,526 Total Expenditures 7,568,349 1,123,323 1,615,859 10,307,531 Revenues over (under) expenditures 1,856,785 (737,198) (553,948) 565,639 Other Financing Sources (Uses) Sales of capital assets - 809,730 - 809,730 Transfers in 15,781 532,035 1,170,457 1,718,273 Transfers to component units (26,200) - - (26,200) Transfers out (884,875) (641,156) (192,242) (1,718,273) Total Other Financing Sources (Uses) (895,294) 700,609 978,215 783,530 Revenues and other sources over (under) expenditures and other uses 961,491 (36,589) 424,267 1,349,169 <t< td=""><td></td><td></td><td>_</td><td>843.482</td><td></td></t<>			_	843.482	
Interest Capital outlay			_	-	
Capital outlay Debt service - 1,223,823 (102,000) 77,490 580,526 1,301,313 478,526 Total Expenditures 7,568,349 1,123,323 1,615,859 10,307,531 Revenues over (under) expenditures 1,856,785 (737,198) (553,948) 565,639 Other Financing Sources (Uses) 809,730 - 809,730 Transfers in 15,781 532,035 1,170,457 1,718,273 Transfers to component units (26,200) - - (26,200) Transfers out (884,875) (641,156) (192,242) (1,718,273) Total Other Financing Sources (Uses) (895,294) 700,609 978,215 783,530 Revenues and other sources over (under) expenditures and other uses 961,491 (36,589) 424,267 1,349,169 Fund Balance, at beginning of year 1,933,830 2,857,482 3,442,950 8,234,262		-	_	112.711	
Debt service - (102,000) 580,526 478,526 Total Expenditures 7,568,349 1,123,323 1,615,859 10,307,531 Revenues over (under) expenditures 1,856,785 (737,198) (553,948) 565,639 Other Financing Sources (Uses) 809,730 - 809,730 - 809,730 Transfers in 15,781 532,035 1,170,457 1,718,273 Transfers to component units (26,200) - - (26,200) Transfers out (884,875) (641,156) (192,242) (1,718,273) Total Other Financing Sources (Uses) (895,294) 700,609 978,215 783,530 Revenues and other sources over (under) expenditures and other uses 961,491 (36,589) 424,267 1,349,169 Fund Balance, at beginning of year 1,933,830 2,857,482 3,442,950 8,234,262	Capital outlay	-	1,223,823		
Total Expenditures 7,568,349 1,123,323 1,615,859 10,307,531 Revenues over (under) expenditures 1,856,785 (737,198) (553,948) 565,639 Other Financing Sources (Uses) Sales of capital assets		-			
Revenues over (under) expenditures 1,856,785 (737,198) (553,948) 565,639 Other Financing Sources (Uses) Sales of capital assets - 809,730 - 809,730 Transfers in 15,781 532,035 1,170,457 1,718,273 Transfers to component units (26,200) - - (26,200) Transfers out (884,875) (641,156) (192,242) (1,718,273) Total Other Financing Sources (Uses) (895,294) 700,609 978,215 783,530 Revenues and other sources over (under) expenditures and other uses 961,491 (36,589) 424,267 1,349,169 Fund Balance, at beginning of year 1,933,830 2,857,482 3,442,950 8,234,262	Total Expenditures	7.568.349			
Other Financing Sources (Uses) Sales of capital assets - 809,730 - 809,730 Transfers in 15,781 532,035 1,170,457 1,718,273 Transfers to component units (26,200) - - (26,200) Transfers out (884,875) (641,156) (192,242) (1,718,273) Total Other Financing Sources (Uses) (895,294) 700,609 978,215 783,530 Revenues and other sources over (under) expenditures and other uses 961,491 (36,589) 424,267 1,349,169 Fund Balance, at beginning of year 1,933,830 2,857,482 3,442,950 8,234,262	Total Expenditures	7,500,547	1,123,323	1,013,037	10,507,551
Sales of capital assets - 809,730 - 809,730 Transfers in 15,781 532,035 1,170,457 1,718,273 Transfers to component units (26,200) - - (26,200) Transfers out (884,875) (641,156) (192,242) (1,718,273) Total Other Financing Sources (Uses) (895,294) 700,609 978,215 783,530 Revenues and other sources over (under) expenditures and other uses 961,491 (36,589) 424,267 1,349,169 Fund Balance, at beginning of year 1,933,830 2,857,482 3,442,950 8,234,262	Revenues over (under) expenditures	1,856,785	(737,198)	(553,948)	565,639
Sales of capital assets - 809,730 - 809,730 Transfers in 15,781 532,035 1,170,457 1,718,273 Transfers to component units (26,200) - - (26,200) Transfers out (884,875) (641,156) (192,242) (1,718,273) Total Other Financing Sources (Uses) (895,294) 700,609 978,215 783,530 Revenues and other sources over (under) expenditures and other uses 961,491 (36,589) 424,267 1,349,169 Fund Balance, at beginning of year 1,933,830 2,857,482 3,442,950 8,234,262	Other Financing Sources (Uses)				
Transfers in Transfers to component units 15,781 (26,200) 532,035 (26,200) 1,170,457 (26,200) 1,718,273 (26,200) Transfers out (884,875) (641,156) (192,242) (1,718,273) Total Other Financing Sources (Uses) (895,294) 700,609 978,215 783,530 Revenues and other sources over (under) expenditures and other uses 961,491 (36,589) 424,267 1,349,169 Fund Balance, at beginning of year 1,933,830 2,857,482 3,442,950 8,234,262		_	809 730	_	809 730
Transfers to component units (26,200) - - (26,200) Transfers out (884,875) (641,156) (192,242) (1,718,273) Total Other Financing Sources (Uses) (895,294) 700,609 978,215 783,530 Revenues and other sources over (under) expenditures and other uses 961,491 (36,589) 424,267 1,349,169 Fund Balance, at beginning of year 1,933,830 2,857,482 3,442,950 8,234,262		15 781		1 170 457	
Transfers out (884,875) (641,156) (192,242) (1,718,273) Total Other Financing Sources (Uses) (895,294) 700,609 978,215 783,530 Revenues and other sources over (under) expenditures and other uses 961,491 (36,589) 424,267 1,349,169 Fund Balance, at beginning of year 1,933,830 2,857,482 3,442,950 8,234,262			332,033	1,170,137	
Revenues and other sources over (under) expenditures and other uses 961,491 (36,589) 424,267 1,349,169 Fund Balance, at beginning of year 1,933,830 2,857,482 3,442,950 8,234,262			(641,156)	(192,242)	
expenditures and other uses 961,491 (36,589) 424,267 1,349,169 Fund Balance, at beginning of year 1,933,830 2,857,482 3,442,950 8,234,262	Total Other Financing Sources (Uses)	(895,294)	700,609	978,215	783,530
expenditures and other uses 961,491 (36,589) 424,267 1,349,169 Fund Balance, at beginning of year 1,933,830 2,857,482 3,442,950 8,234,262					
Fund Balance, at beginning of year 1,933,830 2,857,482 3,442,950 8,234,262		061 401	(27, 500)	101.067	1 240 160
	expenditures and other uses	901,491	(36,389)	424,267	1,349,169
Fund Rajance at end of year \$ 2.805.221 \$ 2.820.802 \$2.947.217 \$ 0.502.421	Fund Balance, at beginning of year	1,933,830	2,857,482	3,442,950	8,234,262
5 2,093,321 \$ 2,020,093 \$ 3,007,217 \$ 9,383,431	Fund Balance, at end of year	\$ 2,895,321	\$ 2,820,893	\$3,867,217	\$ 9,583,431

The accompanying notes are an integral part of this statement.

Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities

Year ended June 30, 2005	
Net Change in Fund Balances – Total Governmental Funds	\$ 1,349,169
Amounts reported for governmental activities in the statement of activities are different because:	
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.	
Capital outlay	1,301,313
Depreciation expense	(453,285)
	848,028
The repayment of long-term debt consumes current financial resources but does not affect net assets.	478,526
Proceeds from the sale of fixed assets are reported as revenues in the governmental funds; proceeds are netted against net book value in the statement of activities and a net resulting gain or loss is recorded.	(781,430)
The accrual of compensated absences does not consume current financial resources but does reduce net assets, therefore, they are not reported in governmental funds.	(16,601)
Unearned revenues are recognized on the full accrual basis in the Government-Wide Financial Statements.	880,000
The net revenue of certain activities of internal service funds is reported with governmental activities.	92,559
Change in Net Assets of Governmental Activities	\$ 2,850,251

The accompanying notes are an integral part of this statement.

Proprietary Funds

Statement of Net Assets

			_	Governmental Activities	
June 30, 2005	Board of Light and Power	Other Non-Major Proprietary Funds	Total	Internal Service Funds	
Assets					
Cash and investments	\$17,204,881	\$ 3,242,920	\$ 20,447,801	\$1,816,708	
Due from other governmental units	-	301,708	301,708	5,400	
Receivables		,	,	,	
Accounts	2,524,574	764,458	3,289,032	51,732	
Assessments	-	39,496	39,496	-	
Interest	36,362	-	36,362	-	
Prepaid items	30,927	-	30,927	112,760	
Due from other funds (Note 6)	~	251	251	29,810	
Inventory	3,506,024	61,718	3,567,742	14,506	
Restricted assets	9,621,760	-	9,621,760	-	
Capital assets, net of accumulated					
depreciation (Note 4)	43,239,892	16,605,526	59,845,418	1,708,140	
Deferred charges	455,170	_	455,170		
Total Assets	76,619,590	21,016,077	97,635,667	3,739,056	

The accompanying notes are an integral part of this statement.

This Statement Covers More Than One Page.

Proprietary Funds Statement of Net Assets

				Governmental Activities
June 30, 2005	Board of Light and Power	Other Non-Major Proprietary Funds	Total	Internal Service Funds
Liabilities				
Current liabilities	Φ.	0 140 577	0 140 577	0
Current portion of long-term debt	·	\$ 148,577		\$ -
Accounts payable	1,587,166	683,904	2,271,070	21,307
Accrued liabilities	717,612	181,173	898,785 35,356	211,010 567
Due to other governments Deferred revenues	164,000	35,356 36,602	200,602	307
Due to other funds (Note 6)	104,000	2,413	2,413	15,265
Due to other rands (rtote o)		2,415	2,413	13,203
Total Current Liabilities	2,468,778	1,088,025	3,556,803	248,149
Current Liabilities Payable from Restricted Assets	5,882,030	-	5,882,030	-
Deferred Revenues	608,984	-	608,984	-
Long-Term Debt, less current maturities				
(Note 5)	57,675,099	1,323,383	58,998,482	
Total Liabilities	66,634,891	2,411,408	69,046,299	248,149
Net Assets				
Invested in capital assets,				
net of related debt	_	15,133,566	15,133,566	1,708,140
Restricted	3,739,730	-	3,739,730	-
Unrestricted	6,244,969	3,471,103	9,716,072	1,782,767
Total Net Assets	\$ 9,984,699	\$18,604,669	\$28,589,368	\$3,490,907

The accompanying notes are an integral part of this statement.

Proprietary Funds

Statement of Revenue, Expenses and Changes in Fund Net Assets

		0.1	-	Governmental Activities
	Board of	Other Non-Major		Internal
	Light and	Proprietary		Service
Year ended June 30, 2005	Power	Funds	Total	Funds
200. 0.000 0.000 0.000				
Operating Revenue				
Charges for services	\$25,741,641	\$ 3,201,199	\$28,942,840	\$ 3,627,861
Miscellaneous operating revenues	-	71,215	71,215	
Total Operating Revenue	25,741,641	3,272,414	29,014,055	3,627,861
Operating Expenses				
Operations and maintenance	13,283,468	3,383,906	16,667,374	3,379,470
Distribution	1,384,060	214,531	1,598,591	-
Customer accounts	455,939	-	455,939	-
Administrative and general	1,465,728	1,219,204	2,684,932	-
Depreciation	3,383,657	632,028	4,015,685	186,316
Statutory charge	1,032,176	-	1,032,176	-
Total Operating Expenses	21,005,028	5,449,669	26,454,697	3,565,786
Operating Income (Loss)	4,736,613	(2,177,255)	2,559,358	62,075

The accompanying notes are an integral part of this statement.

This Statement Covers More Than One Page.

Proprietary Funds
Statement of Revenue, Expenses and Changes in Fund Net Assets

				Governmental Activities
Year ended June 30, 2005	Board of Light and Power		Total	Internal Service Funds
Non-Operating Income (Expense) – Net				
Interest earned on investments				
Operating fund	\$ 469,070	\$ 65,859	\$ 534,929	\$ 28,348
Debt service reserve	82,891	-	82,891	_
Operating grants	-	1,533,580	1,533,580	-
Amortization of debt discounts and				
issue costs	261,890	-	261,890	-
Gain on investments	1,231	-	1,231	-
Interest expense				
Bond	(4,499,167)	(20,904)	(4,520,071)	_
Deposits	(3,914))	(3,914)	-
Gain (loss) on sale of assets	386	(171,727)	(171,341)	-
SO2 allowances	227,798	-	227,798	-
Miscellaneous	6,248	44,199	50,447	2,136
Total Non-Operating Income (Expenses) –				
Net	(3,453,567)	1,451,007	(2,002,560)	30,484
Change in Net Assets	1,283,046	(726,248)	556,798	92,559
Net Assets – Beginning of year as restated (Note 16)	8,701,653	19,330,917	28,032,570	3,398,348
Net Assets – End of year	\$ 9,984,699	\$ 18,604,669	\$28,589,368	\$ 3,490,907

The accompanying notes are an integral part of this statement.

Proprietary Funds

Statement of Cash Flows

			_	Governmental Activities
	Board of	Other Non-Major		Internal
	Light and	Proprietary		Service
Year ended June 30, 2005	Power	Funds	Total	Funds
Cook Floor for a Cook March Addition				
Cash Flows from Operating Activities	¢ 25 617 660	¢ 2 426 402	£ 20 044 152	£ 2.752.060
Receipts from customers and users Receipts from interfund services	\$ 25,617,660	\$ 3,420,492	\$ 29,044,152	\$ 3,752,069
provided	_	8,771	8,771	115,725
Payments to suppliers	(13,833,864)	,	(16,880,868)	(3,341,572)
Payments to employees	(4,206,073)	(1,462,887)	(5,668,960)	(109,282)
Payments for interfund services used	(4,200,073)	(111,492)	(111,492)	14,893
T My Mornio 101 Miles I and Des Vices about		(111,152)	(111,152)	11,055
Net cash provided by (used for)				
operating activities	7,577,723	(1,186,120)	6,391,603	431,833
Cash Flows from Non-Capital Financing Activities Proceeds from operating grants and other	· _	1,533,580	1,533,580	-
Cash Flows from Capital and Related Financing Activities Proceeds from borrowing on		1 060 000	1 060 000	
long-term debt Principal and interest paid on	-	1,060,000	1,060,000	-
long-term debt	(7,412,973)	(86,506)	(7,499,479)	
Purchase of fixed assets	(2,109,704)	(1,685,599)	(3,795,303)	(315,246)
Other income	234,046	(1,005,555)	234,046	(313,240)
Proceeds from sale of assets	386	-	386	_
Net cash used for capital and related financing activities	(9,288,245)	(712,105)	(10,000,350)	(315,246)

The accompanying notes are an integral part of this statement.

This Statement Covers More Than One Page

Proprietary Funds Statement of Cash Flows

				_	Go	Activities
Year ended June 30, 2005		Board of Light and Power	Other Non-Major Proprietary Funds	Total		Internal Service Funds
Cash Flows from Investing Activities						
Interest received on investments	\$	397,972	\$ 65,859	\$ 463,831	\$	28,348
Purchase of investment securities	Ψ	(25,318,250)	-	(25,318,250)	Ψ	20,540
Proceeds from sale and maturities		(25,515,255)		(23,310,230)		
of investment securities		27,477,000	-	27,477,000		-
Net cash provided by investment activities		2,556,722	65,859	2,622,581		28,348
Net Increase (Decrease) in Cash and Cash Equivalents		846,200	(298,786)	547,414		144,935
Cash and Cash Equivalents - Beginning of year		24,097,855	3,541,706	27,639,561		1,671,773
Cash and Cash Equivalents - End of year	\$	24,944,055	\$ 3,242,920	\$ 28,186,975	\$	1,816,708
Balance Sheet Classification of Cash and Cash Equivalents		,				
Cash and cash equivalents	\$	17,204,881	\$ 3,242,920	\$ 20,447,801	\$	1,816,708
Restricted assets (Note 1)		7,739,174	_	7,739,174		-
Total	\$	24,944,055	\$ 3,242,920	\$ 28,186,975	\$	1,816,708

The accompanying notes are an integral part of this statement.

This Statement Covers More Than One Page

Proprietary Funds

Statement of Cash Flows

				(Gov	ernmental Activities
Year ended June 30, 2005		Board of Light and Power	Other Non-Major Proprietary Funds	Total		Internal Service Funds
Reconciliation of Operating Income						
(Loss) to Net Cash Provided by						
(Used for) Operating Activities		4.726.612	e (2.177.255) e	0.550.350	e.	(0.075
Operating income (loss)	\$	4,/36,613	\$ (2,177,255) \$	2,559,358	\$	62,075
Adjustments to reconcile operating						-
income (loss) to net cash provided by (used for) operating activities						
Depreciation		3,383,657	632,028	4,015,685		186,316
Bad debt expense		9,819	032,028	9,819		180,510
Miscellaneous income		7,017	15,899	15,899		2,136
Changes in assets and liabilities		_	15,677	15,677		2,130
Accounts receivable		(526,594)	8,629	(517,965)		65,220
Due from other funds		(020,0)	8,771	8,771		115,725
Due from other governments		_	138,134	138,134		86,535
Inventories		361,519	(8,584)	352,935		(4,339)
Prepaid expenses and other		,-	()/	,		(3,227)
current assets		31,275	-	31,275		(25,344)
Accounts payable		(163,458)	276,569	113,111		(182,822)
Accrued compensation		38,792	-	38,792		
Other accrued liabilities		(157,354)	19,971	(137,383)		110,871
Due to other funds		-	(111,492)	(111,492)		14,893
Due to other governments		-	11,210	11,210		567
Deferred revenue		(136,546)	<u>-</u>	(136,546)		-
Net Cash Provided by (Used for)	_				_	
Operating Activities	\$	7,577,723	\$ (1,186,120) \$	6,391,603	\$	431,833

The accompanying notes are an integral part of this statement.

Fiduciary Funds Statement of Fiduciary Net Assets

June 30, 2005	Retiree Health Care	Agency Funds
June 30, 2003	Caic	Tunus
Assets		
Cash and cash equivalents	\$480,707	\$ 220,642
Accounts receivable	5,641	18,201
Due from other governments	<u>-</u>	31,257
Due from other funds	-	20,636
	\$486,348	\$ 290,736
Liabilities		
Accounts payable	\$ -	\$ 54,511
Trust deposits	<u> </u>	98,674
Due to other funds	_	64,678
Due to other governments	-	72,873
	_	\$ 290,736
Net Assets	# 407 340	
Held in trust for retiree health	\$486,348	

The accompanying notes are an integral part of this statement.

Fiduciary Funds

Statement of Changes in Fiduciary Net Assets

Year ended June 30, 2005	Retiree Health Care
Additions	•
Health insurance fees	\$ 174,182
Interest income	6,877
Total Additions	181,059
Deductions	
Insurance payments	185,473
Change in Net Assets	(4,414)
Net Assets – Beginning of Year	490,762
Net Assets – End of Year	\$ 486,348

Notes to Basic Financial Statements

1. Summary of Significant Accounting Policies

The financial statements of the City of Grand Haven have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of the government's accounting policies are described below.

Financial Reporting Entity

The City of Grand Haven, established in 1854, was incorporated in 1867 under the provisions of the Home Rule Act of the State of Michigan. The City operates under a Council-Manager form of government. The City of Grand Haven provides the following services as authorized by its charter or state law: Administrative Services, Public Safety, Highway and Street Maintenance, Culture, Recreation and Other Governmental Functions. The accounting policies of the City of Grand Haven conform to generally accepted accounting principles as applicable to cities. As required by generally accepted accounting principles, Governmental Accounting Standards Board (GASB) 14, these financial statements present the City (the primary government) and its component units, entities for which the City is considered to be financially accountable. The component units discussed below are included in the City's reporting entity because of the significance of their operational or financial relationships with the City.

<u>Component Units</u> – In conformity with generally accepted accounting principles, the financial statements of component units have been included in the financial reporting entity either as blended component units or as discretely presented component units. Discretely presented component units have a June 30th year end.

Discretely presented component units – The Component Units column in the combined financial statements includes the financial data of the City's other component units. These units are reported in a separate column to emphasize that they are legally separate from the City.

Notes to Basic Financial Statements

The Central Business District Development Authority was created to correct and prevent deterioration in the downtown district, encourage historical preservation, and to promote economic growth within the downtown district. The Authority's governing body, which consists of 10 individuals, is selected by the City Council.

The Economic Development Corporation was created to provide means and methods for the encouragement and assistance of industrial and commercial enterprises in relocating, purchasing, constructing, improving, or expanding within the City so as to provide needed services and facilities of such enterprises to the residents of the City. The Corporation's governing body, which consists of 10 individuals, is selected by the City Council.

The Brownfield Redevelopment Authority was created to account for the redevelopment of environmentally contaminated and other underutilized sites within the City. The Authority's governing body, which consists of 10 individuals, is selected by the City Council.

Brownfield Redevelopment Authority infrastructure reconstruction project in FY 2004-05 in conjunction with the razing of the Grand Haven Brass Foundry and other related buildings and the construction of the Grand Haven Boat Storage facility. Infrastructure reconstruction costs were paid by a \$710,000 Brownfield Tax Increment Financing Bond issued March 31, 2005. Payments of principal and interest on the Bond from anticipated tax increment revenue will begin in October 2005. The project construction will be completed in FY 2005-06. The Brownfield Redevelopment Authority created three funds to account for the project costs, including a special revenue fund to account for tax revenue, a debt service fund and a capital projects fund to account for construction costs that combine to form the Brownfield TIF (Boat Storage Project).

Notes to Basic Financial Statements

Fund Accounting

The City uses funds and account groups to report on its financial position and the results of its operations. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain government functions or activities.

A fund is a separate accounting entity with a self-balancing set of accounts. Governmental resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled.

Government-Wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the nonfiduciary activities of the primary government. The effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. Likewise, the primary government is reported separately from certain legally separate component units for which the primary government is financially accountable.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenue includes (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Taxes, intergovernmental payments, and other items not properly included among program revenues are reported as general revenue.

Separate financial statements are provided for governmental funds and proprietary funds. Major individual governmental funds are reported as separate columns in the fund financial statements.

Notes to Basic Financial Statements

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

Government-wide Statements – The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund financial statements. Revenue is recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenue in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements.

Amounts reported as program revenue include (1) charges to customers or applicants for goods, services, or privileges provided; (2) operating grants and contributions; and (3) capital grants and contributions. Internally dedicated resources are reported as general revenue rather than as program revenue.

Fund-based statements – Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue is recognized as soon as it is both measurable and available. Revenue is considered to be available if it is collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Notes to Basic Financial Statements

Property taxes, intergovernmental grants, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenue of the current fiscal period. All other revenue items are considered to be available only when cash is received by the government.

The City reports the following major governmental funds:

General Fund – The General Fund is the City's primary operating fund. It accounts for all financial resources of the City, except those required to be accounted for in another fund.

Public Improvement Fund – This Fund accounts for the construction of capital facilities to be used in governmental fund type operations. Financing is provided by contributions from the General Fund and grants from public and private sources.

The City reports the following major proprietary fund:

Board of Light and Power – This Fund accounts for the operation, maintenance, capital additions and retirement of revenue bonds of the electric supply system. Financing is provided by user charges from the sale of electricity.

Budgets

Budgets are adopted on a basis consistent with generally accepted accounting principles. Annual appropriated budgets are adopted for funds. All annual appropriations lapse at fiscal year end.

At June 30, 2005, the City's Brownfield Redevelopment Authority Fund in the component units had a fund deficit of \$1,522,230. The City plans to eliminate the deficit through a tax increment financing district in the project area in future years.

Notes to Basic Financial Statements

Encumbrances represent commitments related to unperformed contracts for goods or services. Encumbrance accounting, under which purchases of resources are recorded to reserve that portion of the applicable appropriation, is utilized in the governmental funds. Encumbrances outstanding at year end are reported as reservations of fund balances and do not constitute expenditures or liabilities because the commitments will be honored during the subsequent year.

Cash and Investments

Cash includes amounts in demand deposits as well as short-term investments.

Cash equivalents are short-term, highly liquid investments that have the following characteristics:

- Investments that are readily convertible to known amounts of cash
- Investments that mature in such a short period of time that their values are effectively immune from changes in interest rates
- Original maturity of three months or less

Investments are stated at fair value. The City maintains a pooled investment fund to account for all investments of the various City funds. Investments within this pooled investment fund are shown on the balance sheets of each individual fund as cash and cash equivalents.

Short-Term Interfund Receivables/Payables

During the course of operations, numerous transactions occur between individual funds for goods provided or services rendered. These receivables and payables are classified as "due from other funds" or "due to other funds" on the balance sheet.

Notes to Basic Financial Statements

Property Taxes

Property taxes attach as enforceable liens on property as of December 31st. Taxes are levied on July 1st of the following year and are payable from the date of levy through August 31st without penalty and until March 1st of the following year with penalty. Taxes are recognized as revenue (and become available for appropriation) in the fiscal year following the levy date (July 1st).

The City bills and collects it own property taxes and also taxes for the county and school districts. Collections of all the taxes and remittance of them to the other taxing authorities are accounted for in a tax collection Agency Fund. The City is permitted by charter or state law without voter approval to levy taxes up to \$15.00 per \$1,000 of state equalized valuation for general governmental purposes and the amount required to service the General Obligation Debt. The tax rate to finance City services including transportation for the year ended June 30, 2005 was \$11.11 per \$1,000 of taxable valuation.

Inventories

Inventory is valued at the lower of cost (first-in, first-out) or market. Inventory in the governmental funds consist of expendable supplies which are recorded as an expenditure at the time individual inventory items are purchased.

Prepaid Items

Payments made to vendors for services that will benefit periods beyond June 30, 2005 are recorded as prepaid items. These prepaid items are primarily insurance premiums and fiscal year 2006 memberships invoiced prior to July 1, 2005. The City follows the consumption method of accounting in reporting these items and, therefore, no offset by a fund balance reserve is required.

Notes to Basic Financial Statements

Restricted Assets

Restricted assets consist of the following:

June 30, 2005

Bond and interest redemption account: Cash and cash equivalents Debt service reserve account:	\$ 5,882,049
Cash and cash equivalents	1,857,125
United States Treasury bills and notes	1,847,756
Interest receivable	34,830
Total revenue bond restricted assets	9,621,760
Less current liabilities payable from restricted assets:	
Debt principal payable	4,145,000
Accrued interest payable	1,737,030
Total current liabilities payable from	-
restricted assets	5,882,030
Total Net Restricted Assets	\$ 3,739,730

These assets are restricted pursuant to the Revenue Resolution for revenue bond debt service and for surplus fund transfers to meet the required debt service coverage ratio. Net assets are reserved for the purpose noted above.

Notes to Basic Financial Statements

Capital Assets

Capital assets, which include land, buildings, equipment, vehicles, and infrastructure assets (e.g. roads, bridges, sidewalks and similar items) are reported in the applicable governmental activities column in the government-wide financial statements. Capital assets are defined by the government as assets with an initial individual cost of more than \$1,000 and any assets susceptible to theft. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. Costs of normal repair and maintenance that do not add to the value or materially extend asset lives are not capitalized.

Buildings, equipment, infrastructure and vehicles are depreciated using the straight-line method over the following useful lives:

Buildings and additions	20-100 years
Vehicles	4-8 years
Furniture and other equipment	10-30 years
Infrastructure	50 years

Compensated Absences

The liability for compensated absences reported in the statements consists of unpaid, accumulated annual and sick leave balances. The liability has been calculated using the vesting method, in which leave amounts for both employees who are currently eligible to receive termination payments and other employees who are expected to become eligible in the future to receive such payments upon termination are included.

Notes to Basic Financial Statements

Long-Term Obligations

In the government-wide financial statements and the proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net assets. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt. In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts are reported as other financing uses. Issuance costs are reported as debt service expenditures.

Equity and Other Credits

Contributed capital is recorded in proprietary funds that have received capital grants or contributions from developers, customers or other funds. Portions of equity are segregated for future uses, and are, therefore, not considered available for future appropriation or expenditure. Amounts reserved represent portions of fund balance/retained earnings either not appropriable for expenditure or which are legally segregated for a specific future use. Designations of unreserved fund equity in governmental funds indicate City management's tentative plans for use of financial resources in a future period.

Notes to Basic Financial Statements

Interfund Transactions

Quasi-external transactions are accounted for as revenues, expenditures or expenses. Transactions that constitute reimbursements to a fund for expenditures/expenses initially made from it that are properly applicable to another fund, are recorded as expenditures/expenses in the reimbursing fund and as reductions of expenditures/expenses in the fund that is reimbursed.

All other interfund transactions, except quasi-external transactions and reimbursements, are reported as transfers.

Comparative Data

Comparative total data for the prior year has not been presented in the accompanying financial statements.

Management Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statement and reported amounts of revenues and expenditures/expenses during the reporting period. Actual results could differ from those estimates.

2. Legal Compliance – Budgets

The annual budget is prepared by the City management and adopted by the City Council; subsequent amendments are approved by the City Council. Unexpended appropriations lapse at year end; encumbrances are not included as expenditures. The amount of encumbrances outstanding at June 30, 2005 has not been calculated. During the current year, the budget was amended in a legally permissible manner.

Notes to Basic Financial Statements

The budget has been prepared in accordance with generally accepted accounting principles, except that transfers have been included in the "revenue" and "expenditures" categories, rather than as "other financing sources (uses)."

The budget statement (combined statement of revenue, expenditures, and changes in fund balances – budget and actual – General, Special Revenue, and Debt Service Fund types) is presented on the same basis of accounting used in preparing the adopted budget.

The budget has been adopted on a fund total basis; expenditures at this level in excess of amounts budgeted are a violation of Michigan law. The budget statement presented for the General Fund in the financial statements is more detailed than the budget as adopted by the City Council. A comparison of the budget for each individual Special Revenue Fund and Debt Service is available at City Hall.

3. Deposits and Investments

Deposits

State statutes require that certificates of deposit, savings accounts, deposit accounts and depository receipts are made with banks doing and having a place of business in the state of Michigan that are also members of a federal or national insurance corporation.

Custodial Credit Risk Related to Deposits

Custodial credit risk is the risk that, in the event of a bank failure, the City's deposits might not be recovered. The City does not have a deposit policy for custodial credit risk. At June 30, 2005, \$38,809,388 of the City's bank balances of \$39,309,388 were exposed to custodial credit risk as follows:

Uninsured and uncollateralized:

\$38,809,388

Notes to Basic Financial Statements

Investments

At June 30, 2005, the City had the following investments:

Investment	Maturity	Fair Value
Bond Funds		
Federated US Govt Secs.	N/A	\$138,768
Federated US Govt Secs.	N/A	\$ 87,743
Federated Ultra Short Bond	N/A	\$102,559
Fifth Third Bond Fund	N/A	\$ 47,806
Fifth Third Intermediate Bond	l Fd. N/A	\$144,601
Preferred Stock		
Corp-Backed Trust Certs	N/A	\$ 16,391
Corts-IBM	N/A	\$ 12,220
Entergy Arkansas Inc.	N/A	\$ 15,937
Finl Security Assur HDG	N/A	\$ 12,405
Equity Funds		
Dodge & Cox	N/A	\$ 29,517
Dodge & Cox STK	N/A	\$ 98,838
Fidelity Adv. Small Cap	N/A	\$ 37,912
Fifth Third Equity Index Fund	l N/A	\$ 61,492
Lord Abbett Mid-Cap	N/A	\$ 80,924
•		\$887,113*

^{*}at 6/30/05 the above funds were held and invested through a trust fund at Fifth Third bank.

Interest Rate Risk

The City does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Custodial Credit Risk Related to Investments

Custodial Credit risk is the risk that, in the event of the failure of the counterparty or bank, the City will not be able to recover the value of its investments that are in the possession of an outside party. All of the City's investments were held in the name of the City.

Notes to Basic Financial Statements

Credit Risk

State statutes authorize the City to invest in obligations and certain repurchase agreements of the U.S. Treasury and related governmental agencies, commercial paper rated prime at the time of purchase and maturing not more than 270 days from the date of purchase, bankers acceptances and certificates of deposit issued or created by an state or national bank insured with the applicable federal agency, investment pools authorized by the Surplus Funds Investment Pool Act and mutual funds composed entirely of the above investments.

The City had no investment policy that would further limit its investment choices. At June 30, 2005, the City's investment in Corp-Backed Trust Certs Preferred Stock was rated Aa3 by Moody's. The Corts-IBM Preferred Stock was rated A1 by Moody's. The Entergy Arkansas Inc. Preferred Stock was rated Aaa by Moody's. The Finl Security Assur HDG was rated Aa2 by Moody's.

Concentration of Credit Risk

The City's investment policy places no limit on the amount the City may invest in any one issuer.

Component Units

At June 30, 2005, \$207,570 of the City's component units' bank balances of \$307,570 were exposed to custodial credit risk as follows:

Uninsured and uncollateralized:

\$207,570

Notes to Basic Financial Statements

4. Capital Assets

Capital asset activity of the City's governmental activities was as follows:

Primary Government

	Balance			Balance
	July 1, 2004	Increases	Decreases	June 30, 2005
Governmental Activities				
Capital assets, not depreciable:				
Land and land improvements	\$ 10,283,826	\$ 984,261	\$ 781,430	\$10,486,657
Capital assets being depreciated:				
Structures and improvements	5,786,630	32,750	-	5,819,380
Machinery, equipment, vehicles and fixtures	8,006,923	520,257	32,044	8,495,136
Waterfront development	891,765	-	-	891,765
Parking facilities	340,823	-	-	340,823
Recreation development	1,517,076	1,801	-	1,518,877
Infrastructure	14,958,636	77,490		15,036,126
Total assets being depreciated	31,501,853	632,298	32,044	32,102,107
Less accumulated depreciation for:				
Structures and improvements	(2,303,592)	(31,103)	-	(2,334,695)
Machinery, equipment, vehicles and fixtures	(3,038,871)	(247,331)	(32,044)	(3,254,158)
Waterfront development	(370,236)	-	-	(370,236)
Parking facilities	(269,128)	(27,921)	-	(297,049)
Recreation development	(458,879)	(61,015)	-	(519,894)
Infrastructure	(2,167,250)	(272,231)		(2,439,481)
Total accumulated depreciation	(8,607,956)	(639,601)	(32,044)	(9,215,513)
Total capital assets being depreciated, net	22,893,897	(7,303)	-	22,886,594
Governmental activities - capital assets, net	\$33,177,723	976,958	\$ 781,430	\$ 33,373,251

Notes to Basic Financial Statements

	Balance July 1, 2004	Increases	Decreases	Balance June 30, 2005
	July 1, 2004	mer eases	Decreuses	June 30, 2003
Business-type				
Capital assets, not depreciable:				
Land and land improvements	\$ 827,238	\$ 28,300	\$ 536,955	\$ 318,583
Construction in progress	3,314,653	2,133,082	1,153,625	4,294,110
r				
Total capital assets not being depreciated	4,141,891	2,161,382	1,690,580	4,612,693
Capital assets being depreciated:				
Structures and improvements	6,328,138	2,145,767	465,544	8,008,361
Machinery, equipment, vehicles and fixtures	2,160,532	3,320	500	2,163,352
Production and treatment systems	87,152,974	126,614	-	87,279,588
Transmission and distribution systems	38,298,294	1,055,702	33,529	39,320,467
General plant	1,277,468	44,777		1,322,245
Total assets being depreciated	135,217,406	3,376,180	499,573	138,094,013
Less accumulated depreciation for:				
Structures and improvements	(2,497,935)	(326,750)	(293,816)	(2,530,869)
Machinery, equipment, vehicles and fixtures	(1,023,523)	(178,937)	(500)	(1,201,960)
Production and treatment systems	(59,334,431)	(2,537,300)	-	(61,871,731)
Transmission and distribution systems	(15,346,605)	(874,228)	(10,151)	(16,210,682)
General plant	(947,576)	(98,470)	_	(1,046,046)
Total accumulated depreciation	(79,150,070)	(4,015,685)	(304,467)	(82,861,288)
Total capital assets being depreciated, net	56,067,336	(639,505)	195,106	55,232,725
Business-type activities - capital assets, net	\$ 60,209,227	\$ 1,521,877	\$1,885,686	\$ 59,845,418
Component Units Brownfield TIF (Boat Storage Project) Construction in progress	\$ -	\$ 625,608	\$	\$ 625,608

Notes to Basic Financial Statements

Depreciation expense was charged to functions/programs of the primary government as follows:

Governmental activities:		
General government	\$	88,565
Public safety		135,932
Public works		337,521
Culture and recreation		77,583
Total Depreciation Expense -		
Governmental Activities	\$	639,601
Business type activities:		
Board of Light and Power	\$ 3	3,383,657
Other Proprietary funds		632,028
		-
Total Depreciation Expense -		
Business-type activities	\$ 4	4,015,685

Notes to Basic Financial Statements

5. Long-Term Debt The following is a summary of the long-term debt outstanding of the City as of June 30, 2005:

Governmental Activities	Balance July 1, 2004	Additions	Reductions	Balance June 30, 2005	Due within one year
Bonds Payable					
1993 Building Authority Parking Facility Bonds maturing through 2005, interest ranging from 4.9% - 7.2%.	\$ 60,000	\$ -	\$ (30,000)	\$ 30,000	\$ 30,000
Special Assessment Bond Fund – 1996 Municipal Purchase Agreement, Series A with a maturity date of May 1, 2004, interest ranging from 4.4% - 4.89%	15,000	-	(15,000)	_	_
Special Assessment Bond Fund – 1996 Municipal Purchase Agreement, Series B with a maturity date of September 1, 2015, interest ranging from 5.1% - 7.0%.	85,000	-	(5,000)	80,000	10,000
Total Bonds Payable	160,000	-	(50,000)	110,000	40,000
Land Contract payable in annual installments of \$34,000. Final payment due June 30, 2008	136,000	102,000	-	238,000	204,000
Economic development note payable in annual installments of \$26,521 beginning in 2004 including interest at 6.0%. Final payment due April 2018.	250,000	-	(14,840)	235,160	12,694
Property loans payable in installments of \$375,521 commencing in October 2004 including interest at 2.64%. Final payment due May 2009	2,057,546	-	(319,652)	1,737,894	329,625
Equipment loan payable in annual installments of \$111,778 including interest at 3.83%. Final payment due July 2007.	407,372	_	(196,034)	211,338	· -
Accumulated compensated absences	614,470	16,601	•	631,071	291,263
Total Governmental Activities Long-Term Debt	\$3,625,388	\$118,601	\$ (580,526)	\$ 3,163,463	\$877,582

Notes to Basic Financial Statements

Business Type Activities	Balance July 1, 2004	Additions	Reductions	Balance June 30, 2005	within
Bonds Payable					
1993 Electric Revenue Refunding Bonds, maturing through 2008, with interest ranging from 4.90% to 5.25% (net of discount, loss on refunding and portion payable from restricted assets.)	\$ 17,397,154	\$ -	\$(3,915,075)	\$ 13,482,079	\$4,145,000
2003 Electric Revenue Refunding Bonds, maturing through 2016, with interest ranging from 5.00% to 5.50% (net of premium and loss on refunding.)	43,728,005	465,015	-	44,193,020	-
1990 General Obligations Limited Tax Bonds maturing through October 2004, with interest at 7.0%.	20,000	-	(20,000)	_	-
1990 Special Assessment Limited Tax Bonds maturing through October 2009, with interest at 7.0%.	60,000	-	(10,000)	50,000	10,000
1990 N.O.W.S.G.O. Contract, to support bonds that were refinanced in 1998, maturing through 2010 with interest ranging from 4.25% to 4.70%.	74,062	-	(7,702)	66,360	8,532
1996 Municipal Purchase Agreement, refinanced in 2002, maturing in 2010 with an interest rate of 4.29%.	132,000	· <u>-</u>	(15,000)	117,000	17,000
1990 Municipal Purchase Agreement, refinanced in 2002, maturing in 2010 with an interest rate of 4.29%.	191,500	-	(12,900)	178,600	14,350
2005 Property Loan Payable, maturing through October 2014, with interest at 5.56%.	·	1,060,000		1,060,000	98,695
Total Business Type Activities Long-Term Debt	\$ 61,602,721	\$1,525,015	\$(3,980,677)	\$ 59,147,059	\$4,293,577
Total all Long-Term Liabilities	\$ 65,228,109	\$1,643,616	\$(4,561,203)	\$ 62,310,522	\$5,171,159

Notes to Basic Financial Statements

Component Units	Balance July 1, 2004	Additions	Reductions	Balance June 30, 2005	Due within one year
2005 Tax Increment bonds, maturing through 2018, with interest at 3.69%.	\$ -	\$710,000	\$ -	\$710,000	\$35,000
Economic development note payable in annual installments ranging from \$10,400 - \$14,000 including interest at 4%.	30,000	•	(10,000)	20,000	10,000
Total Component Units Long-Term Debt	\$30,000	\$710,000	\$(10,000) \$	730,000	\$45,000

Annual debt service requirements to maturity for debt outstanding as of June 30, 2005 follows:

	Governmental Activities		Business Type Activities			Component Units		
	Pr	rincipal	Interest	Principal	Intere	st Pri	ncipal	Interest
2006	\$ 5	86,319	\$ 64,788	\$ 4,293,577	\$ 3,534,0	73 \$ 4	5,000	\$ 25,334
2007	4	94,482	62,281	4,511,632	3,333,48	39 5	0,000	24,569
2008	4	74,214	48,289	4,759,162	3,098,6	16 4	5,000	22,601
2009	3	76,604	33,853	5,022,674	2,848,54	12 5	0,000	20,849
2010	3	92,363	19,088	5,086,182	2,584,62	22 5	0,000	19,004
2011-2015	1.	31,636	45,051	29,623,733	8,752,63	31 28	5,000	64,666
2016-2018		76,774	6,461	14,015,000	1,167,37	75 20	5,000	11,531
	0.5.5		2272 244	0.57.044.050	0.5.5.40.0			0.00.55.
	\$2,5	32,392	\$279,811	\$67,311,960	\$25,319,34	8 \$73	0,000	\$188,554

Notes to Basic Financial Statements

6. Interfund Balances The following are the interfund receivables at June 30, 2005: and Transfers

Fund	Interfund Receivable	Fund	Interfund Payable
Tulid	Receivable	Tund	1 ayabic
General Fund	\$ 39,178	Payroll Cemetery Perpetual Care	\$ 34,582 4,596
Major Street	35	Payroll	35
Municipal Sewage Treatment	92	Payroll	92
Harbor Transit	159	Payroll	159
Motor Pool	1,001	Payroll	1,001
Insurance	28,809	Payroll	28,809
Payroll	20,636	General Fund Local Street Motorpool Insurance Municipal Water Harbor Transit Marina	2,677 281 1,619 13,646 773 1,540 100
	\$ 89,910		\$ 89,910

Notes to Basic Financial Statements

Transfers during the fiscal year were as follows:

Fund Transfer		ransfer in	Transfer ou	
General Fund	\$	15,781	\$	884,875
Public Improvement	7	532,035	•	641,156
Major Street and Trunkline		136,420		100,000
Local Street		236,420		_
Building Authority Bonds		32,605		-
Non-voted General Debt		635,012		-
Fire Truck		50,000		-
Building Authority		-		76,461
Land Acquisition		80,000		-
Cemetery Care		_		15,781
Harbor Transit		4,620		-
Airport		_		4,620
	\$1	,722,893	\$1	,722,893

7. Risk Management

The City purchases insurance and participates in public entity risk pools for the various risks associated with City operations. Significant risk management activities of the City are accounted for and disclosed below as required by GASB 10.

The City is exposed to various risks of loss related to torts; theft of damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The City obtains its liability insurance coverage as a member of the Michigan Municipal Liability and Property Pool (MMLPP), a public entity risk pool providing liability and property coverage to its participating members. The City pays an annual premium to MMLPP for liability insurance coverage. The MMLPP is self-sustaining through member premiums and provides, subject to certain deductibles, occurrences based coverage by internally insuring certain risks and reinsuring risks through commercial companies. A \$1,000 deductible is maintained to place the responsibility for small charges with the City. Settled claims resulting from these risks have not exceeded insurance coverage in any of the past three fiscal years.

Notes to Basic Financial Statements

The City manages its workers' compensation risk by participating in the Michigan Municipal League Workers' Compensation Fund (MMLWCF), a public entity risk pool providing workers' compensation coverage to its participating members. The City pays an annual premium to MMLWCF for its workers compensation coverage. The MMLWCF is self-sustaining through member premiums and provides statutory workers compensation coverage to its members by internally insuring certain risks and reinsuring risks through commercial companies. Settled claims resulting from these risks have not exceeded insurance coverage in any of the past three fiscal years.

During fiscal year 2004, the Board of Light and Power entered into the Michigan Professional Insurance Authority (Authority) to account for and finance its uninsured risks of loss. Under this program, the Authority provides for coverage for up to a maximum of \$100,000 for each general liability claim and \$250,000 for each property damage claim. The Board purchases commercial insurance for claims in excess of coverage provided by the Authority for all other risks of loss. Settled claims have not exceeded this commercial coverage in the past fiscal year.

All participants in the Authority make payments to the Authority based on experience estimates of the amounts needed to pay prior and current year claims.

	Ŏ1	inning f Year ability	Current Year Premium Equivalent Costs	Premium Equivalent Payments	Balance Year I	
2005	\$	-	\$ 835,000	\$835,000	\$	

Notes to Basic Financial Statements

8. Contingent Liabilities

Amounts received or receivable from grantor agencies are subject to audit and adjustment by grantor agencies, principally the federal government. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, of expenditures which may be disallowed by the grantors cannot be determined at this time although the City expects such amounts, if any, to be immaterial.

The City is a defendant in various lawsuits. Although the outcome of these lawsuits is not presently determinable, in the opinion of the City Attorney the resolution of these matters will not have a material adverse effect on the financial condition of the City.

The Board of Light and Power has determined that, as a potentially responsible party, it has incurred a liability for environmental remediation costs resulting from a fuel line leak at the Diesel Plant on Harbor Drive in Grand Haven, Michigan. It is not possible to estimate the amount of such liability at this time.

9. Postemployment Benefits

The City provides health care benefits to retirees in accordance with the pension ordinance. Currently, 61 retirees are eligible. The City pays 75 percent to 80 percent of the annual premium (depending on the bargaining unit) and the retiree pays the balance. Retirees are required to purchase and pay for Medicare supplemental insurance when they become eligible. Expenditures for post-employment health care benefits are recognized annually as the insurance premiums become due. These benefits were paid from the Retiree Health Care Fund (which is funded by all operating funds) and approximated \$185,500 during the year ended June 30, 2005.

Notes to Basic Financial Statements

10. Pension Plan

Plan Description

The City participates in the Michigan Municipal Employees' Retirement System (MMERS), an agent multiple-employer defined benefit pension plan that covers all employees of the City. The system provides retirement, disability, and death benefits to plan members and their beneficiaries. The MMERS issues a publicly available financial report that includes financial statements and required supplementary information for the system. That report may be obtained by writing to the system at 1134 Municipal Way, Lansing, MI 48917.

Funding Policy

The obligation to contribute to and maintain the system for these employees was established by negotiation with the City's collective bargaining units. For the year ended June 30, 2005, the City suspended all required employee and employer contributions due to the significantly overfunded status of its actuarial accrued liability.

Annual Pension Cost

For the year ended June 30, 2005, the City's annual pension cost of \$0 for the plan was equal to the City's required and actual contribution. The annual required contribution was determined as part of an actuarial valuation at December 31, 2003, using the entry age normal cost method. Significant actuarial assumptions used include (a) an 8 percent investment rate of return, (b) projected salary increases of 4.5 percent per year, and (c) 2.5 percent per year cost of living adjustments. Both (a) and (b) include an inflation component of 5 percent. The actuarial value of assets was determined using techniques that smooth the effects of any given year's variation from an 8 percent return over a five-year period. The unfunded actuarial liability is being amortized as a level percentage of payroll on a closed basis. The remaining amortization period is 30 years.

Notes to Basic Financial Statements

Three-Year Trend Information

<u>-</u>	Fiscal Year Ended June 30,				
	2003	2004	2005		
Annual pension cost (APC) Percentage of APC	\$ -	\$ -	\$ -		
contributed Net pension obligation	100% None	100% None	100% None		
_	Actuarial Val	luation as of De	ecember 31,		
	2002	2003	2004		
Actuarial value of assets Actuarial accrued liability	\$ 53,667,967	\$55,800,362	\$ 57,639,724		
(AAL)	41,912,591	46,177,189	51,324,884		
Overfunded AAL	11,755,376	9,623,173			
Funded ratio	128%	121%	112%		
Covered payroll Overfunded AAL as a percentage of covered	\$ 7,973,516	\$ 8,571,548	\$ 8,689,504		
payroll	147%	112%	73%		

11. Component Unit Financial Information

Condensed financial statements for each of the discretely presented component units are included in the government wide financial statements. Complete financial statements of the individual component units can be obtained from their respective administrative offices.

Administrative Offices

Central Business District Corporation,	Economic	Development	
Development Authority	Brownfield Re		
519 Washington	Authority, and Brownfield TIF		
Grand Haven, MI 49417	(Boat Storage	Project)	
	519 Washington	1	
	Grand Haven, N	∕ ∐ 49417	

Notes to Basic Financial Statements

12. Joint Ventures

The City is a member of the Grand Haven - Spring Lake Sewer Authority (the "Authority"). The City can appoint two members to the joint venture's governing board, which then approves the annual budget. In the current year, the City paid \$662,265 to the Authority for sewage treatment. The purpose of the Grand Haven-Spring Lake Sewer Authority is to acquire, own, improve, enlarge, extend, and operate a sewage disposal system. The Authority is governed by a Board of Trustees containing seven members. The participating communities (Cities of Grand Haven and Ferrysburg, Townships of Spring Lake and Grand Haven, Village of Spring Lake, and County of Ottawa) pay a set rate to the Authority to process waste. This rate includes amounts to finance the Authority's debt. The City is unaware of any circumstances that would cause an additional benefit or burden to the participating governments in the near future. Complete financial statements can be obtained at Grand Haven City Hall.

The City is also a member of the Northwest Ottawa Water Treatment Plant. The City appoints one member to the joint venture's governing board, which then approves the annual budget. In the current year, the City paid \$817,943 to the plant to purchase water. The purpose of the Northwest Ottawa Water Treatment Plant is to acquire, construct, finance, operate, and maintain a water production facility. The plant is governed by an administrative committee composed of one representative from each of the participating communities (Cities of Grand Haven and Ferrysburg, Townships of Grand Haven and Spring Lake, and County of Ottawa). These participating communities pay for water at a rate that is estimated to cover operation, maintenance, replacement, and debt service. The City is unaware of any circumstances that would cause an additional benefit or burden to the participating governments in the near future. financial statements can be obtained at Grand Haven City Hall (519 Washington Street).

Notes to Basic Financial Statements

The Board of Light and Power entered into a joint venture, the Michigan Public Power Agency (MPPA), with 14 other municipal The MPPA was formed to undertake the electric systems. planning, financing, development, acquisition, construction, improvement, operation, and maintenance of projects to supply electric power and energy for present or future needs of its Each MPPA member is a municipal corporation organized under the laws of the State of Michigan and owns and operates a municipal electric system. The City is unaware of any circumstances that would cause an additional benefit or burden to the participating governments in the near future. financial statements for the Michigan Public Power Agency can be obtained from the administrative offices at 809 Centennial Way. Lansing, Michigan 48917. The MPPA operates various projects. The Board participates in the power pool project. During 2005, the Board had sales of \$4,977,329 to the MPPA power pool and had purchases of \$346,839 from the MPPA power pool. June 30, 2005, the MPPA power pool owed the Board \$666,380.

13. Construction Code Fees

The City oversees building construction, in accordance with the State's Construction Code Act, including inspection of building construction and renovation to ensure compliance with the building codes. The City charges fees for these services. The law requires that collection of these fees be used only for construction code costs, including an allocation of estimated overhead costs. A summary of the current year activity and the cumulative surplus or deficit generated since January 1, 2000 is as follows:

256,758
218,085
\$ 45,089

Notes to Basic Financial Statements

14. Commitments

During 2005, the Board of Light and Power entered into a coal purchase agreement to purchase 124,000 tons of coal at fixed prices prior to December 31, 2005. At June 30, 2005, approximately 31,000 tons of coal had been purchased under this agreement.

Amounts required to complete various construction projects are not material to the financial statements.

As disclosed in Note 12, the City is a member of the Grand Haven-Spring Lake Sewer Authority and the Northwest Ottawa Water Treatment Plant. The City, along with the other participating communities, has pledged their full faith and credit for repayment of the outstanding debt of these entities. For all debt, the amount the City is required to contribute to these entities for repayment of debt is not a fixed amount, but is based on the volume of sewage treated and water purchased and is included in the rate charged by these entities.

15. Excess of Expenditures Over Revenues in Budgetary Funds

During the year ended June 30, 2005, the City incurred expenditures in various funds which were in excess of amounts appropriated, as follows:

	Appropriation	Actual Expenditures
General Fund		
Legal services	\$ 175,000	\$ 189,167
Public Works – Cemetery	275,490	280,325
Community services - Administration	567,415	597,913
Non-voted General Debt Fund	514,280	635,012

All expenditures over appropriations as identified above have been paid by excess revenues or by reduced expenditures in other activities.

Notes to Basic Financial Statements

16. Restatement of Net Assets

During the year ended June 30, 2005, the City discovered that certain adjustments were required to be made to the beginning net assets previously reported in the financial statements for the Harbor Transit Fund to correct an error in deferred revenue made in prior years and to retroactively report all major general infrastructure assets in the general fixed assets for governmental activities. The result of these adjustments was to increase beginning net assets in the governmental activities by \$12,496,140 from \$27,109,595 to \$39,605,735 and to increase beginning net assets in the business type activities by \$789,747 from \$27,242,823 to \$28,032,570.

Required Supplemental Material

	General Fund				
Year ended June 30, 2005	Original Budget	Final Budget	Actual		
Revenues					
Taxes	\$ 6,449,940				
Licenses and permits	341,200	346,700	360,715		
Federal sources State sources	1,020,500	1,020,000	1,287,844		
Charges for services	842,615	870,405	824,328		
Fines and forfeitures	75,000	131,000	147,510		
Interest, penalties and rent	109,000	159,000	153,781		
Miscellaneous revenue	74,500	115,100	84,982		
Total Revenues	8,912,755	9,142,445	9,425,134		
Expenditures					
Current operations	2 010 775	2.010.060	2 (42 570		
General government Public safety	2,918,775 3,625,495	2,810,860 3,662,725	2,642,570 3,427,939		
Public works	905,455	862,020	749,654		
Culture and recreation	671,750	818,370	748,186		
Capital outlay	-,	-	-		
Debt service	-	-			
Total Expenditures	8,121,475	8,153,975	7,568,349		
Revenues Over (Under) Expenditures	791,280	988,470	1,856,785		
Other Financing Sources (Uses)					
Sales of capital assets	-	-	-		
Proceeds from issuance of long-term debt Transfers in	15,000	15,000	15,781		
Transfers to components units	(26,200)	(26,200)	(26,200)		
Transfers out	(804,875)	(884,875)	(884,875)		
Total Other Financing Sources (Uses)	(816,075)	(896,075)	(895,294)		
Revenues and Other Sources Over (Under) Expenditures and Other Uses	(24,795)	92,395	961,491		
Fund Balance, at beginning of year	1,933,830	1,933,830	1,933,830		
Fund Balance, at end of year	\$ 1,909,035	\$ 2,026,225	\$ 2,895,321		

Schedule of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual – Major Governmental Funds

_	Pub	lic	Improvemen	ıt	
	Original Budget		Final Budget		Actual
\$	_	\$	_	\$	_
	51.000		751 000		2.42.040
	51,000		751,000 -		342,040 4,000
	-		-		-
	10,000		25,800		31,345
	1,880,000		809,735		8,740
	1,941,000		1,586,535		386,125
					4.500
	-		-		1,500
	-		-		-
	3,019,100		3,462,200		1,223,823 (102,000)
	3,019,100		3,462,200		1,123,323
	(1,078,100)		(1,875,665)		(737,198)
			-		809,730
	1,200,000 532,035 (300,000)		1,060,000 532,035 (300,000)		532,035
	(575,780)		(578,110)		(641,156)
	856,255		713,925		700,609
	(221,845)		(1,161,740)		(36,589)
	2,857,482		2,857,482		2,857,482
\$	2,635,637	\$	1,695,742	\$	2,820,893

Required Supplementary Information for Pension Plans – GASB 27

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) - Entry Age (b)	Unfunded AAL (UAAL) (b – a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b - a)/c)
December 31: 2002 2003 2004	\$ 53,667,967 55,800,362 57,639,724	\$ 41,912,591 46,177,189 51,324,884	\$ 11,755,376 9,623,173 6,314,840	128.05% 120.84% 112.30%	\$7,973,516 8,571,548 8,689,504	147.43% 112.27% 72.67%

	Special R	Special Revenue		
June 30, 2005	Major Street and Trunkline	Local Street	Building Authority Bonds	
Assets				
Cash and cash equivalents Due from other governments Taxes and other receivables Special assessments receivable Due from other funds	\$1,065,945 195,844 463 - 35	\$716,110 32,766 984 37,961	\$ - - - -	
Total Assets	\$1,262,287	\$787,821	\$ -	
Liabilities and Fund Balances Liabilities Accounts payable Deferred revenues Due to other funds	\$ 28,240 - -	\$ 19,987 38,180 281	\$ - - -	
Total Liabilities	28,240	58,448	-	
Fund balances Reserved for debt service Reserved for capital projects Reserved for endowments Unreserved Undesignated	- - - 1,234,047	- - 729,373	- - -	
Total Fund Balances	1,234,047	729,373	-	
Total Liabilities and Fund Balances	\$1,262,287	\$787,821	\$ -	

Combining Balance Sheet - Non-Major Governmental Funds

Debt Se	Debt Service		Capital Projects			
Special Assessment Bonds	Non-voted General Debt	Fire Truck	Building Authority	Land Acquisition	Cemetery Perpetual Care	Total All Funds
\$209,699 - - 77,924	\$ - - - -	\$247,766 - - -	\$247,766 \$31,106 \$78,350 \$ 		\$1,332,679 - 8,843 -	\$3,681,655 228,610 10,290 115,885 35
\$287,623	\$ -	\$247,766	\$31,106	\$78,350	\$1,341,522	\$4,036,475
\$ - 77,924	\$ - - -	\$ - - -	\$ - - -	\$ - - -	\$ 50 - 4,596	\$ 48,277 116,104 4,877
77,924	-	_	-	. <u>-</u>	4,646	169,258
209,699 - -	- - -	-	- - -	78,350	1,336,876	209,699 78,350 1,336,876
_	_	247,766	31,106	_		2,242,292
209,699	-	247,766	31,106	78,350	1,336,876	3,867,217
\$287,623	\$ -	\$247,766	\$31,106	\$78,350	\$1,341,522	\$4,036,475

	Special R	Special Revenue		
Year ended June 30, 2005	Major Street and Trunkline	Local Street	Building Authority Bonds	
Revenues State grants and distributions Charges for services Special assessments Interest income Miscellaneous revenue	\$ 646,461 - 19,599 38,848	\$ 202,541 2,705 18,902 13,887	\$ - - - - -	
Total Revenues	704,908	238,035	-	
Expenditures General government Public works Capital outlay Debt principal payments Interest and fiscal charges	482,300 23,316	353,796 11,243	30,000 2,605	
Total Expenditures	505,616	365,039	32,605	
Revenues over (under) expenditures	199,292	(127,004)	(32,605)	
Other Financing Sources (Uses) Transfers in Transfers out	136,420 (100,000)	236,420	32,605	
Total Other Financing Sources (Uses)	36,420	236,420	32,605	
Revenues and other sources over (under) expenditures and other uses Fund Balance, at beginning of year	235,712 998,335	109,416 619,957	-	
Fund Balance, at end of year	\$1,234,047	\$ 729,373	\$ -	

Combining Statement of Revenues, Expenditures and Changes in Fund Balances – Non-Major Governmental Funds

Debt Se	Debt Service		Capital Projects			
Special Assessment Bonds	Non-voted General Debt	Fire Truck	Building Authority	Land Acquisition	Cemetery Perpetual Care	Total All Funds
\$ - 15,764 9,131	\$ - - - -	\$ - - 4,108	\$ - - 1,155	\$ - - - -	\$ - 23,490 - 26,206 39,114	\$ 849,002 26,195 34,666 74,086 77,962
24,895	-	4,108	1,155	·-	88,810	1,061,911
20,000 5,620	- - 530,526 104,486	- 42,931 - -	- - - -	1,650 - - -	7,386	1,650 843,482 77,490 580,526 112,711
25,620	635,012	42,931		1,650	7,386	1,615,859
(725)	(635,012)	(38,823)	1,155	(1,650)	81,424	(553,948)
-	635,012	50,000	- (76,461)	80,000	- (15,781)	1,170,457 (192,242)
-	635,012	50,000	(76,461)	80,000	(15,781)	978,215
(725) 210,424		11,177	(75,306) 106,412	78,350	65,643 1,271,233	424,267 3,442,950
\$209,699	\$ -	\$247,766	\$ 31,106	\$ 78,350	\$1,336,876	\$3,867,217

		Major Street and Trunkline				
Year ended June 30, 2005		Budget	Actual	Variance		
Revenues State grants and distributions Charges for services	\$	812,000	\$ 646,461	\$(165,539) -		
Special assessments Interest income Miscellaneous revenue		16,000 2,000	19,599 38,848	3,599 36,848		
Total Revenues		830,000	704,908	(125,092)		
Expenditures General government Public works Capital outlay Debt principal payments Interest and fiscal charges		652,180 264,000 - -	482,300 23,316	169,880 240,684 -		
Total Expenditures		916,180	505,616	410,564		
Revenues over (under) expenditures		(86,180)	199,292	285,472		
Other Financing Sources (Uses) Transfers in Transfers out	(136,420 (100,000)	136,420 (100,000)	-		
Total Other Financing Sources (Uses)		36,420	36,420	~		
Revenues and other sources over (under) expenditures and other uses		(49,760)	235,712	285,472		
Fund Balance, at beginning of year		998,335	998,335	<u>-</u>		
Fund Balance, at end of year	\$	948,575	\$1,234,047	\$ 285,472		

Schedule of Revenues, Expenditures and Changes in Fund Balances – Budget and Actual
- Non-Major Governmental Funds

Local Street					
Budget	Actual	Variance			
\$ 186,600 2,000 10,660 10,500 1,000	\$ 202,541 2,705 18,902 13,887	\$ 15,941 705 8,242 3,387 (1,000)			
210,760	238,035	27,275			
450,520 140,000 -	353,796 11,243 -	96,724 128,757 -			
590,520	365,039	225,481			
(379,760)	(127,004)	252,756			
236,420	236,420	-			
236,420	236,420				
(143,340) 619,957	109,416 619,957	252,756			
\$ 476,617	\$ 729,373	\$252,756			

	Building Authority Bonds						
Year ended June 30, 2005	Budget	Actual	Variance				
Revenues State grants and distributions Charges for services Special assessments Interest income Miscellaneous revenue	\$ - - - -	\$ - - - -	\$ - - - -				
Total Revenues	-	-	-				
Expenditures General government Public works Capital outlay Debt principal payments Interest and fiscal charges	30,000 2,605	30,000 2,605	- - - -				
Total Expenditures	32,605	32,605	_				
Revenues over (under) expenditures	(32,605)	(32,605)	_				
Other Financing Sources (Uses) Transfers in Transfers out	32,605	32,605	- -				
Total Other Financing Sources (Uses)	32,605	32,605					
Revenues and other sources over (under) expenditures and other uses	-	-	-				
Fund Balance, at beginning of year	-	-					
Fund Balance, at end of year	\$ -	\$ -	\$ -				

Schedule of Revenues, Expenditures and Changes in Fund Balances – Budget and Actual - Non-Major Governmental Funds

Special Assessment Bonds				Non-voted General Debt				
Budget	Actual	Var	iance	Budget		Actual	Var	iance
\$ -	\$ -	\$	- \$	-	\$	-	\$	-
22,095 2,000	15,764 9,131		5,331) 7,131	-		- - -		- - -
24,095	24,895		800	-		-		-
	-		-	-		-		-
20,000 5,620	20,000 5,620		- - -	424,135 90,145		530,526 104,486		- 5,391) 4,341)
25,620	25,620		_	514,280		635,012	(120),732)
(1,525)	(725)		800	(514,280)		(635,012)	(120),732)
- -	- -		- -	514,280		635,012	120),732
-	-		_	514,280		635,012	120),732
(1,525) 210,424	(725) 210,424		800	-		-		-
\$208,899	\$209,699	\$	800 \$		\$	-	\$	-

	Fire Truck					
Year ended June 30, 2005	Budget	Actual	Variance			
Revenues State grants and distributions Charges for services Special assessments Interest income Miscellaneous revenue	\$ - - 2,300	\$ - - 4,108	\$ - - 1,808			
Total Revenues	2,300	4,108	1,808			
Expenditures General government Public works Capital outlay Debt principal payments Interest and fiscal charges	- - 45,000 - -	42,931 -	2,069 - -			
Total Expenditures	45,000	42,931	2,069			
Revenues over (under) expenditures	(42,700)	(38,823)	3,877			
Other Financing Sources (Uses) Transfers in Transfers out	50,000	50,000	-			
Total Other Financing Sources (Uses)	50,000	50,000	-			
Revenues and other sources over (under) expenditures and other uses	7,300	11,177	3,877			
Fund Balance, at beginning of year	236,589	236,589	-			
Fund Balance, at end of year	\$243,889	\$247,766	\$3,877			

Schedule of Revenues, Expenditures and Changes in Fund Balances – Budget and Actual - Non-Major Governmental Funds

Bu	Building Authority			Land Acquisition		
Budget	Actual	Variance	Budget	Actual	Variance	
\$ - -	\$ -	\$ - \$ -	- \$ -	- -	\$ -	
600	1,155	555	-	-	-	
600	1,155	555	-		-	
-	-	<u>.</u> .	5,000	1,650	3,350	
-	-	-	-	-	-	
	-		5,000	1,650	3,350	
600	1,155	555	(5,000)	(1,650)	3,350	
11,500 (32,605)	- (76,461)	(11,500) (43,856)	80,000	80,000	-	
(21,105)	(76,461)	(55,356)	80,000	80,000	_	
(20,505) 106,412	(75,306) 106,412	(54,801)	75,000	78,350	3,350	
\$ 85,907	\$ 31,106	\$ (54,801) \$	75,000 \$	78,350	\$ 3,350	

Schedule of Revenues, Expenditures and Changes in Fund Balances – Budget and Actual - Non-Major Governmental Funds

	Cemetery Perpetual Care			
Year ended June 30, 2005	Budget	Actual	Variance	
Revenues State grants and distributions Charges for services Special assessments	\$ - 25,000	\$ - 23,490	\$ - (1,510)	
Interest income Miscellaneous revenue	19,200 30,000	26,206 39,114	7,006 9,114	
Total Revenues	74,200	88,810	14,610	
Expenditures General government Public works Capital outlay Debt principal payments Interest and fiscal charges	8,000 - - -	7,386 - - -	614	
Total Expenditures	8,000	7,386	614	
Revenues over (under) expenditures	66,200	81,424	15,224	
Other Financing Sources (Uses) Transfers in Transfers out	(20,000)	- (15,781)	4,219	
Total Other Financing Sources (Uses)	(20,000)	(15,781)	4,219	
Revenues and other sources over (under) expenditures and other uses	46,200	65,643	19,443	
Fund Balance, at beginning of year	1,271,233	1,271,233		
Fund Balance, at end of year	\$1,317,433	\$1,336,876	\$19,443	

	Municipal		
June 30, 2005	Sewage Treatment	Municipal Water	Harbor Transit
June 30, 2003	Treatment	water	Transit
Assets			
Current Assets Cash and cash equivalents	\$ 363,636	\$1,844,092	\$ 328,688
Accounts receivable	304,029	346,014	39,495
Due from other governments	-	-	288,177
Due from other funds Inventory	92 6,056	28,098	159 27,564
Total Current Assets	673,813	2,218,204	684,083
	ŕ	2,210,204	004,003
Special Assessments	39,496	-	-
Capital Assets, net of accumulated depreciation	3,828,668	6,042,715	1,485,902
Total Assets	4,541,977	8,260,919	2,169,985
Liabilities and Net Assets			
Current Liabilities			
Current portion of long-term debt	10,000	8,532	120.092
Accounts payable Accrued liabilities	86,005 11,420	214,086 28,125	120,082 134,707
Due to other governments	-	20,125	-
Due to other funds	-	773	1,540
Deferred revenue			36,602
Total Current Liabilities	107,425	251,516	292,931
Long-Term Debt – net of current portion	40,000	57,828	
Total Liabilities	147,425	309,344	292,931
Net Assets			
Invested in capital assets, net of related debt	3,778,668	5,976,355	1,485,902
Unreserved	615,884	1,975,220	391,152
Total Net Assets	\$4,394,552	\$7,951,575	\$1,877,054

Non-Major Proprietary Funds Combining Statement of Net Assets

Marina	Airport	Chinook Pier Rental	Total
\$ 487,743 19,442 13,531	\$ 198,915 33,871 - -	\$ 19,846 21,607 - -	\$ 3,242,920 764,458 301,708 251 61,718
520,716	232,786	41,453	4,371,055
-	-	-	39,496
930,123	3,238,651	1,079,467	16,605,526
1,450,839	3,471,437	1,120,920	21,016,077
_	31,350	98,695	148,577
258,826	4,905	2,931	683,904
1,542	2,448 35,356	2,931	181,173 35,356
100	-	-	2,413 36,602
260,468	74,059	101,626	1,088,025
	264,250	961,305	1,323,383
260,468	338,309	1,062,931	2,411,408
930,123 260,248	2,943,051 190,077	19,467 38,522	15,133,566 3,471,103
\$1,190,371	\$3,133,128	\$ 57,989	\$18,604,669

Year ended June 30, 2005	Municipal Sewage Treatment	Municipal Water	Harbor Transit
Operating Revenues Charges for services Miscellaneous operating revenues	\$1,263,855 56,552	\$1,268,352	\$ 290,596
Total Operating Revenues	1,320,407	1,268,352	290,596
Operating Expenses Operations and maintenance General and administrative Distribution Depreciation	895,727 186,658 - 56,014	952,324 588,617 214,531 74,591	1,262,391 439,218 - 200,915
Total Operating Expenses	1,138,399	1,830,063	1,902,524
Operating income (loss)	182,008	(561,711)	(1,611,928)
Non-Operating Revenues (Expenses) Interest income Interest expense Operating subsidies Federal State Local Loss on disposal of assets Other income	4,980 (3,563) - - - - -		2,538 - 310,237 770,991 165,660 - 6,123
Total Non-Operating Revenues (Expenses)	1,417	52,769	1,255,549
Income (Loss) Before Transfers Transfers In (Out)	183,425	(508,942)	(356,379) 4,620
Change in Net Assets	183,425	(508,942)	(351,759)
Net Assets, at beginning of year as restated (Note 16)	4,211,127	8,460,517	2,228,813
Net Assets, at end of year	\$4,394,552	\$7,951,575	\$ 1,877,054

Non-Major Proprietary Funds

Combining Statement of Revenues, Expenses and Changes in Fund Net Assets

Marina	Airport	Chinook Pier Rental	Total
Iviaiiia	Alipoit	Kentai	Total
\$ 245,204	\$ 100,088 -	\$33,104 14,663	\$ 3,201,199 71,215
245,204	100,088	47,767	3,272,414
204,809 - - 41,515	59,434 4,685 - 250,160	9,221 26 8,833	3,383,906 1,219,204 214,531 632,028
246,324	314,279	18,080	5,449,669
(1,120)	(214,191)	29,687	(2,177,255)
9,665 -	3,337 (15,269)	2	65,859 (20,904)
-	183,479 103,213	-	493,716 874,204 165,660
(117,218) 172	(54,509) 100	28,300	(171,727) 44,199
(107,381)	220,351	28,302	1,451,007
(108,501)	6,160 (4,620)	57,989 -	(726,248)
(108,501)	1,540	57,989	(726,248)
1,298,872	3,131,588	-	19,330,917
\$1,190,371	\$3,133,128	\$57,989	\$18,604,669

Year ended June 30, 2005	Munic Sew Treatn	age	Municipal Water	Harbor Transit
Cash Flows from Operating Activities Receipts from customers and users Receipts from interfund services provided Payments to suppliers Payments to employees Payments for interfund services used	(1,020, (74,	649	\$ 1,268,583 6,925 (1,518,832) (237,892) (39,273)	(55) (582,978)
Net Cash Provided by (Used for) Operating Activities	203,	440	(520,489)	(1,232,481)
Cash Flows from Non-Capital Financing Activities Proceeds from operating grants and other Transfer in from (out to) other funds		-	<u>-</u>	1,246,888 4,620
Net Cash Provided by Non-Capital Financing Activities		-	-	1,251,508
Cash Flows from Capital and Related Financing Activities Proceeds from borrowing on long-term debt Principal payments on long-term debt Interest payments on long-term debt Purchase of capital assets		000) 563) 850)	(7,702) (2,072) (68,618)	(3,396)
Net Cash Provided by (Used for) Capital and Related Financing Activities	(38,	413)	(78,392)	(3,396)
Cash Flows from Investing Activities Interest received on investments	4,9	980	45,337	2,538
Net Increase (Decrease) in Cash	170,0	007	(553,544)	18,169
Cash and Cash Equivalents – at beginning of year	193,6	529	2,397,636	310,519
Cash and Cash Equivalents – at end of year	\$ 363,6	536 \$	1,844,092	\$ 328,688

This Statement Covers More Than One Page.

Non-Major Proprietary Funds

Combining Statement of Cash Flows

		Chinook Pier	
Marina	Airport	Rental	Total
\$ 277,201	\$ 86,832	\$ 26,160	\$ 3,426,492
128,842 (94,908)	252 (47,106)	(6,316)	8,771 (3,047,004) (1,462,887)
(6,110)	(1,437)	-	(111,492)
305,025	38,541	19,844	(1,186,120)
<u>-</u>	286,692 (4,620)	-	1,533,580
-	282,072	-	1,533,580
- - - (246,830)	(27,900) (15,269) (301,905)	1,060,000	1,060,000 (65,602) (20,904) (1,685,599)
(246,830)	(345,074)	-	(712,105)
9,665	3,337	2	65,859
67,860	(21,124)	19,846	(298,786)
419,883	220,039	_	3,541,706
\$ 487,743	\$ 198,915	\$ 19,846	\$ 3,242,920

	Municipal Sewage	Municipal	Harbor
Year ended June 30, 2005	Treatment	Water	Transit
Reconciliation of Operating Income (Loss) to			
Net Cash Provided by (Used for) Operating			
Activities			
Operating income (loss)	\$182,008	\$(561,711)	\$ (1,611,928)
Adjustments to reconcile operating income (loss)			, , , ,
to net cash provided by (used for) operations			
Depreciation	56,014	74,591	200,915
Miscellaneous income	-	9,504	6,123
Changes in assets and liabilities			
Accounts receivable	40,839	(8,454)	(16,108)
Due from other funds	1,649	6,925	(55)
Due from other governments	-	-	134,022
Inventory	(6,056)	(819)	(2,107)
Accounts payable	(9,065)	2,699	41,936
Accrued liabilities	(3,666)	(3,951)	25,928
Due to other funds	(58,283)	(39,273)	(6,389)
Due to other governmental units	-	-	(4,818)
Net Cash Provided by (Used for)	¢202.440	¢(530, 490)	f (1 222 401)
Operating Activities	\$203, 44 0	\$(520,489)	\$ (1,232,481)

Non-Major Proprietary Funds

Combining Statement of Cash Flows

	Marina	Airport	Chinook Pier Rental	Total
\$	(1.120)	\$(214,191)	\$ 29,687	\$ (2,177,255)
Ψ	(1,120)	Ψ(211,171)	4 2 >,007	4 (2,177,200)
	41,515	250,160	8,833	632,028
	172	100	-	15,899
	27,466	(13,507)	(21,607)	8,629
	-	252	-	8,771
	4,112	-	_	138,134
	247	151	-	(8,584)
	239,754	1,245	-	276,569
	(1,011)	(260)	2,931	19,971
	(6,110)	(1,437)	-	(111,492)
	_	16,028	-	11,210
\$	305,025	\$ 38,541	\$ 19,844	\$ (1,186,120)

Internal Service Funds Combining Balance Sheet

June 30, 2005	Motor Pool	Insurance	Health Benefits	Total
Assets				
Current Assets				
Cash and cash equivalents	\$1,165,062	\$511,158	\$140,488	\$1,816,708
Accounts receivable	-	984	50,748	51,732
Prepaid expenses	-	103,851	8,909	112,760
Due from other governments	5,400	-	-	5,400
Due from other funds	1,001	28,809	-	29,810
Inventory	14,506	-	-	14,506
Total Current Assets	1,185,969	644,802	200,145	2,030,916
Equipment, net of accumulated				
depreciation of \$1,344,956	1,708,140	_	-	1,708,140
Total Assets	2,894,109	644,802	200,145	3,739,056
Liabilities and Net Assets				
Liabilities				
Accounts payable	18,511	2,796	_	21,307
Accrued liabilities	15,968	-	195,042	211,010
Due to other governments	-	567	-	567
Due to other funds	1,619	13,646		15,265
Total Liabilities	36,098	17,009	195,042	248,149
Net Assets				
Invested in capital assets, net of				
related debt	1,708,140	_	_	1,708,140
Unreserved	1,149,871	627,793	5,103	1,782,767
Net Assets	\$2,858,011	\$627,793	\$ 5,103	\$3,490,907

Internal Service Funds

Combining Statement of Revenues, Expenses and Changes in Fund Net Assets

	Motor		Health	
Year ended June 30, 2005	Pool	Insurance	Benefits	Total
Operating Revenues			00.465.046	#2 (27 0(1
Charges for services	\$ 716,730	\$443,815	\$2,467,316	\$3,627,861
Operating Expenses				
Wages and payroll benefits	110,716	-	-	110,716
Operating supplies	142,166	-	-	142,166
Insurance	32,440	438,877	2,524,653	2,995,970
Depreciation	186,316	-	-	186,316
Professional services	33,744	-	92,795	126,539
Miscellaneous	4,079			4,079
Total Operating Expenses	509,461	438,877	2,617,448	3,565,786
Operating income (loss)	207,269	4,938	(150,132)	62,075
Non-Operating Revenues				
Interest income	17,341	9,466	1,541	28,348
Other income	647	1,489		2,136
Total Non-Operating Revenues	17,988	10,955	1,541	30,484
	205.055	15.002	(1.40.501)	00.550
Net Income (Loss)	225,257	15,893	(148,591)	92,559
Net Assets, at beginning of year	2,632,754	611,900	153,694	3,398,348
Net Assets, at end of year	\$2,858,011	\$627,793	\$ 5,103	\$3,490,907

Internal Service Funds

Combining Statement of Cash Flows

	Motor		Health		
Year ended June 30, 2005	Pool	Insurance	Benefits	Total	
Cash Flows from Operating Activities					
Receipts from customers and users	\$ 708,805	\$ 521,179	\$ 2,522,085	\$ 3,752,069	
Receipts from interfund services					
provided	94,914	-	20,811	•	
Payments to suppliers	(396,705)	,	(2,509,157)	(3,341,572)	
Payments to employees	(109,282)		-	(109,282)	
Payments for interfund services used	1,247	13,646		14,893	
Net Cash Provided by Operating Activities	298,979	99,115	33,739	431,833	
Cash Flows from Capital and Related Financing Activities Purchase of fixed assets	(315,246)	-	-	(315,246)	
Cash Flows from Investing Activities Interest income	17,341	9,466	1,541	28,348	
Increase in Cash	1,074	108,581	35,280	144,935	
Cash, at beginning of year	1,163,988	402,577	105,208	1,671,773	
Cash, at end of year	\$1,165,062	\$ 511,158	\$ 140,488	\$ 1,816,708	

This Statement Covers More Than One Page.

Internal Service Funds

Combining Statement of Cash Flows

	Matau			TT 1/1	
	Motor			Health	
Year ended June 30, 2005	 Pool	Insurance		Benefits	Total
Reconciliation of Operating Income					
(Loss) to Net Cash Provided by					
Operating Activities					
Operating income (loss)	\$ 207,269	\$	4,938 \$	(150,132)\$	62,075
Adjustments to reconcile operating					
income to net cash provided by					
Operations					
Other income	647		1,489	-	2,136
Depreciation	186,316		-	-	186,316
Changes in assets and liabilities					
Accounts receivable	-		1,542	63,678	65,220
Prepaid expenses	-		(16,435)	(8,909)	(25,344)
Due from other governments	(4,233)		90,768	-	86,535
Due from other funds	94,914		-	20,811	115,725
Inventory	(4,339)		-	-	(4,339)
Accounts payable	(185,422)		2,600	-	(182,822)
Accrued liabilities	2,580		-	108,291	110,871
Due to other governments	-		567	-	567
Due to other funds	 1,247		13,646	_	14,893
Net Cash Provided by Operating					
Activities	\$ 298,979	\$	99,115 \$	33,739 \$	431,833

Agency Funds

Combining Balance Sheet

June 30, 2005	Payroll	Tax Collection	Trust and Agency	Total
Assets				
Cash and cash equivalents	\$ 30,252	\$86,365	\$104,025	\$220,642
Due from other governments	31,257		_	31,257
Accounts receivable	18,201	-	-	18,201
Due from other funds	20,636	_	_	20,636
Total Assets	\$100,346	\$86,365	\$104,025	\$290,736
Liabilities				
Accounts payable	\$ 34,845	\$14,315	\$ 5,351	\$ 54,511
Trust deposits	-	· -	98,674	98,674
Due to other funds	64,678	_	_	64,678
Due to other governments	823	72,050	-	72,873
Total Liabilities	\$100,346	\$86,365	\$104,025	\$290,736

Agency Funds

Combining Statement of Changes in Assets and Liabilities

	Balance July 1, 2004	Increases	Decreases	Balance June 30, 2005
Trust and Assurer	.			
Trust and Agency				
Assets				
Cash and cash equivalents	\$101,285	\$ 118,077	\$ 115,337	\$104,025
Liabilities				
Accounts payable	\$ 4,915	\$ 39,851	\$ 39,415	\$ 5,351
Trust deposits	96,370	42,256	39,952	98,674
	\$101,285	\$ 82,107	\$ 79,367	\$104,025
Tax Collection				
Assets				
Cash and cash equivalents	\$139,314	\$19,144,699	\$19,197,648	\$ 86,365
Liabilities				
Accounts payable	\$ 9,330	\$19,191,216	\$19,186,231	\$ 14,315
Due to other governments	129,984	220,956	278,890	72,050
	\$139,314	\$19,412,172	\$19,465,121	\$ 86,365

This Statement Covers More Than One Page.

Agency Funds

Combining Statement of Changes in Assets and Liabilities

	Balance			Balance
	July 1, 2004	Increases	Decreases	June 30, 2005
Payroll				
Assets				
Cash and cash equivalents	\$158,553	\$10,842,853	\$10,971,154	,
Due from other governments	9,887	76,652	55,282	,
Accounts receivable	17,310	217,716	216,825	•
Due from other funds	1,770	21,410	2,544	20,636
	\$187,520	\$11,158,631	\$11,245,805	\$100,346
Liabilities				
Accounts payable	\$ 67,670	\$12,452,861	\$12,485,686	\$ 34,845
Due to other governments	-	823	-	823
Due to other funds	119,850	89,192	144,364	64,678
	\$187,520	\$12,542,876	\$12,630,050	\$100,346
Totals - all agency funds				
Assets				
Cash and cash equivalents	\$399,152	\$30,105,629	\$30,284,139	\$220,642
Due from other governments	9,887	76,652	55,282	31,257
Accounts receivable	17,310	217,716	216,825	18,201
Due from other funds	1,770	21,410	2,544	20,636
	\$428,119	\$30,421,407	\$30,558,790	\$290,736
Liabilities				
Accounts payable	\$ 81,915	\$31,683,928	\$31,711,332	\$ 54,511
Trust deposits	96,370	42,256	39,952	98,674
Due to other governments	129,984	221,779	278,890	72,873
Due to other funds	119,850	89,192	144,364	64,678
	\$428,119	\$32,037,155	\$32,174,538	\$290,736

Management Letter Year ended June 30, 2005



3145 HENRY STREET, STE. 200 MUSKEGON, MI 49441-4052 Tel: 231-739-9441 FAX: 231-733-0031 WWW.PRIDNIALAPRES.COM

To the Honorable Mayor and City Council City of Grand Haven, Michigan

Priduia La Pres, PLLC

During the course of our audit of the financial statements of the City of Grand Haven, Michigan as of June 30, 2005 and for the year then ended, we observed the City's significant accounting policies and procedures and certain administrative, and financial practices.

As a result of our observations, we have prepared for management's review and evaluation, the enclosed memorandum containing suggestions regarding internal control, financial and administrative practices of the City of Grand Haven, Michigan.

Matters which related to internal accounting control were not of a magnitude that would effect the presentation of the financial statements.

We appreciate the outstanding cooperation from management and the staff of the City of Grand Haven, Michigan that our personnel received during the audit.

October 5, 2005

Completion and Review of Employee Time Cards

During our documentation of the City's internal controls of the payroll cycle, we noted that all relevant information, including employee name, employee number and work date (day/month/year), was not included on the time card. In addition, the time cards are not signed by the employee or approved by the supervisor.

Recommendation

We recommend that all relevant information be included on each individual time card. In addition, we recommend that the time cards be signed by the employee and approved by the department supervisor.

Management's Response

Management will be instituting the changes as recommended above by December 31, 2005.

Additional Reports Required by OMB Circular A-133
Year Ended June 30, 2005

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3145 Henry Street, Ste. 200 Muskegon, MI 49441-4052 Tel: 231-739-9441 fax: 231-733-0031 www.pridnialapres.com

Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards

To the Honorable Mayor and Members of the City Council City of Grand Haven, Michigan

We have audited the financial statements of City of Grand Haven, Michigan as of and for the year ended June 30, 2005 and have issued our report thereon dated October 5, 2005. We conducted our audit in accordance with auditing standards generally accepted in the United States of America, and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered City of Grand Haven, Michigan's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide an opinion on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operations that we consider to be material weaknesses. However, we noted other matters involving the internal control over financial reporting that we have reported to management of the City of Grand Haven, Michigan in a separate letter dated October 5, 2005.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether City of Grand Haven, Michigan's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of the City Council of the City of Grand Haven, Michigan, management and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than those specified parties.

Muskegon, Michigan

Pudnia Cakes, PLLC

October 5, 2005





Report on Compliance with Requirements Applicable to Each Major Program and Internal Control Over Compliance in Accordance With OMB Circular A-133

To the Honorable Mayor and Members of the City Council City of Grand Haven, Michigan

Compliance

We have audited the compliance of City of Grand Haven, Michigan with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that are applicable to each of its major federal programs for the year ended June 30, 2005. The City of Grand Haven, Michigan's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of City of Grand Haven, Michigan's management. Our responsibility is to express an opinion on City of Grand Haven, Michigan's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States; and OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about City of Grand Haven, Michigan's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on City of Grand Haven, Michigan's compliance with those requirements.

In our opinion, the City of Grand Haven, Michigan complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2005.

Internal Control Over Compliance

The management of City of Grand Haven, Michigan is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered City of Grand Haven, Michigan's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts and grants caused by error or fraud that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

Schedule of Expenditures of Federal Awards

Pridua Calres, PUC

We have audited the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund and the aggregate remaining fund information of the City of Grand Haven, Michigan as of and for the year ended June 30, 2005, and have issued our report thereon dated October 5, 2005. Our audit was performed for the purpose of forming opinions on the financial statements that collectively comprise the City of Grand Haven, Michigan's basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by OMB Circular A-133 and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

This report is intended solely for the information and use of the City Council of City of Grand Haven, Michigan, management and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Muskegon, Michigan October 5, 2005

Schedule of Expenditures of Federal Awards

Year ended June 30, 2005	CFDA Number	Project Number	Award Amount	Federal Expenditures
U.S. Department of Transportation Federal Aviation Administration Capital assistance Capital assistance Capital assistance	20.106	2003-0304 2002-0383 2004-0263	\$ 18,450 85,500 206,550	\$ 1,620 339 181,520
Total Federal Aviation Administration				183,479
Urban Mass Transportation and Public Transportation for Urban and Nonurbanized Areas – Passed through the State of Michigan Department of Transportation Project # 10/01/01 – 9/30/02	20.509		133,027	3,931
Project # 10/01/03 – 9/30/04 Project # 10/01/04 – 9/30/05	20.507		254,484 243,513	130,421 175,885
				306,306
Total Urban Mass Transportation and Public Transportation for Urban and Nonurbanized Areas				310,237
Total U.S. Department of Transportation				493,716
U.S. Department of Housing & Urban Development CDBG Grant under Title I of the Housing and Community Development Act of 1974 – Passed through the State of Michigan Strategic Fund				
9/01/04 – 7/31/06	14.228 MS	SC 203038-EDIG	700,000	342,040
Total Federal Awards				\$835,756

Notes to Schedule of Expenditures of Federal Awards

1. General

Expenditures are recorded on the modified accrual basis of accounting. Revenues are recognized when qualifying expenditures have been incurred and all other grant requirements have been met.

Expenditures in the schedule of expenditures of federal awards agree with amounts reported as federal revenue in the financial statements.

Schedule of Findings and Questioned Costs

Section I - Summary of Auditors' Results

Financial Statements

The auditors' report expresses an unqualified opinion on the financial statements of the City of Grand Haven, Michigan.

The audit did not report any reportable conditions or material weaknesses relating to internal control over financial reporting.

The audit did not note any noncompliance which is material to the financial statements of the City of Grand Haven, Michigan.

Federal Awards

The audit did not report any reportable conditions or material weaknesses relating to internal control over major programs.

The auditors' report on compliance for major programs of the City of Grand Haven, Michigan expresses an unqualified opinion.

The audit did not disclose any findings relative to major programs that are required to be reported herein in accordance with Section 510 (a) of OMB Circular A-133.

The City had two major programs: Community Development Block Grant (CFDA #14.228) and the Airport Improvement Program (CFDA #20.106).

The dollar threshold used to distinguish between Type A and Type B programs was \$300,000.

The City of Grand Haven, Michigan did not qualify as a low-risk auditee.

Section II - Findings Related to the Financial Statements

There were no findings which are required to be reported under Government Auditing Standards.

Section III - Findings and Questioned Costs for Federal Awards

There were no findings or questioned costs.